GRAPHITECORP LIMITED
ABN 54 157 690 830

INTERIM REPORT – 31 DECEMBER 2015

DIRECTORS' REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

Your directors present their report on Graphitecorp Limited (referred to hereafter as the 'consolidated entity') for the half-year ended 31 December 2015.

Directors
The following persons were directors of Graphitecorp Limited during the whole of the half-year and up to the date of this report, unless otherwise stated:

Greg Baynton
Anthony Bellas (appointed 11 August 2015)
Philip St Baker (appointed 31 August 2015)

Principal activities
During the financial half-year the principal continuing activities of the consolidated entity was developing high grade flake graphite deposits in Queensland.

Review of Operations
The loss for the consolidated entity after providing for income tax amounted to $920,515 (2014: $2,012).

Half Year Operating Highlights:

Graphitecorp had a transformational half year with the company achieving many milestones, including:

- Safe completion and cleanup of a maiden drilling program involving 9 Reverse Circulation (RC) holes drilled in the central and southern areas of the Mount Dromedary deposit.
- confirming presence of a high grade deposit
- Fulfillment of farm-in obligations earning an 80% interest in the Mount Dromedary graphite deposit
- Publishing of a maiden independent JORC inferred mineral resource estimate
- Listing of the company on the Australian Securities Exchange (ASX) and raising of funds for feasibility
- Safe completion and cleanup of a phase two drilling program to support a detail feasibility study. A total of 9 Diamond Core and 17 Reverse Circulation drill holes were completed during November-December, 2015 testing a 500m strike length of the Central Graphite Zone.
- Acquisition of QMC Limited remaining interests in the Mount Dromedary graphite deposit
- Commencement of assay, metallurgical and other testing on samples from the drilling program
- Pre-marketing and mine/plant benchmarking visit to China and Japan

Current Activities:

A comprehensive testwork program is underway to inform the assessment of the Central Zone of the Mount Dromedary Flake Graphite Deposit. The detailed testwork program has been designed to provide chemical, petrological, mineralogical, structural and metallurgical information to support a feasibility study and has been designed under guidance from RungePincockMinarco and Senlac Geological Services.

Other work underway at the time of preparing this report, as follows:

- Geological modelling and JORC mineral resource estimates
- Development of conceptual flow sheet options and recommendations
- Site environmental survey, sampling, study and reporting
- Surface and ground water assessments and recommendations
- Market research regarding the energy storage market and other applications for Mount Dromedary processed and purified graphite

GRAPHITECORP

DIRECTORS' REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015 (continued)

Subsequent Events:

Thus far in the second half of FY2016 Graphitecorp has published results from the Phase 2 Drilling Program which has confirmed the presence of a significant high grade flake graphite deposit at Mount Dromedary comprising a main unit of interest as a Graphite Schist outcropping over a 3000m strike length with a high graphite grade commonly 15-25%.

Additionally, Graphitecorp has announced that an independent leading European laboratory produced 99.93% graphite concentrate from Mount Dromedary Phase 1 drilling samples and confirmed that these samples offer potential to use this product as feed material for spherical graphite for batteries. The laboratory also noted potential for using this graphite product from Mount Dromedary ore in the following high tech and traditional graphite applications:

- Fuel cell applications
- Additive material for plastic or rubber industries
- Lubricants and releasing agents
- Powder forging, alloy and sintering control in powder metallurgical industry
- High temperature coatings
- Other battery applications
- Conductive plastic and polymer applications.

Overall Strategies and Plans:

Phase 1 of the business plan is to explore and assess the technical and commercial viability of the deposit and make a final investment decision regarding the potential development of a graphite mining business. Potential exists to reach a Final Investment Decision (FID) to proceed with the establishment of a graphite mining business within FY2017 (by 30 June 2017, or earlier).

Phase 2, assuming a decision to proceed is made, will be to develop a graphite mining business and bring it successfully into profitable commercial operation. Potential exists, subject to timely completion of Phase 1 and successful marketing and sales, to establish a commercially operating graphite mining business within FY2018 (by 30 June 2018, or earlier).

Phase 3, assuming successful completion of Phases 1 and 2, will be to successfully operate, optimise and improve the graphite mining business through operations, logistics, sales and marketing, and potential diversification into downstream value adding, focused on maximising returns for shareholders.

The remaining FY2016 Annual Plan:

The FY2016 Annual Plan includes a significant portion of Phase 1 of the business plan outlined above. The key objective of the FY2016 Annual Plan is to complete sufficient exploration, testing and studies to determine if there is sufficient technical and commercial viability to justify continued investment to complete a final feasibility report and recommendation that can be used for joint venture partners to make a final investment decision.

GRAPHITECORP

DIRECTORS' REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015 (continued)

Table 1. High Level Activities (ONLY)

ACTIVITIES	FY2016		
	Q2	Q3	Q4
Phase 2 Drilling Program, Assay, Metallurgical & Other Testing			
Environmental Studies, Monitoring and EA Application Preparation			
Water Studies, Monitoring and EA Application Preparation			
Geological Modelling & Resource Estimate (indicated/measured)			
Initial Metallurgical Assessment and Flow Sheet Development			
Initial Mining Assessment and Mine Plan Development			
Initial Logistics Assessment and Logistics Plan Development			
Initial Feasibility Report			

Significant changes in the state of affairs

During the half-year period Graphitecorp Limited raised pre-IPO funding of $1.4million from sophisticated investors. The company then went on to gain admission to the official list of the Australian Securities Exchange after an Initial Public Offering (IPO) raising $2,000,000.

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

Auditor's Independence Declaration
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on the following page.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the *Corporations Act 2001*.

Philip St Baker
Managing Director

8 March 2016
Brisbane

AUDITOR'S INDEPENDENCE DECLARATION
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

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Australia

DECLARATION OF INDEPENDENCE BY C R JENKINS TO THE DIRECTORS OF GRAPHITECORP LIMITED

As lead auditor for the review of GRAPHITECORP Limited for the half-year ended 31 December 2015, I declare that, to the best of my knowledge and belief, there have been:

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

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

C R Jenkins
Director

BDO Audit Pty Ltd

Brisbane, 8 March 2016

GRAPHITECORP

Contents

Half-year financial report

General information

The financial statements cover Graphitecorp Limited as a consolidated entity consisting of Graphitecorp Limited and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is Graphitecorp Limited's functional and presentation currency.

Grahitecorp Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office	Principal place of business
c/- McCullough Robertson	Level 12, 144 Edward Street
Central Plaza Two	Brisbane QLD 4000
Level 11, 66 Eagle Street	
Brisbane QLD 4000	

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 7 March 2016.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

		Consolidated Half-year	
	Note	**2015** **$**	**2014** **$**
Revenue		2,633	-
Expenses			
Administration		113,839	2,012
Market research		59,943	-
Share based compensation	3	596,018	-
Share issue costs	7(g)	153,348	-
Loss before income tax expense		(920,515)	(2,012)
Income tax benefit		-	-
Loss after income tax for the half-year		(920,515)	(2,012)
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive income for the half-year		**(920,515)**	**(2,012)**
		Cents	**Cents**
Basic earnings (loss) per share	8	(1.77)	(0.00)
Diluted earnings (loss) per share	8	(1.77)	(0.00)

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

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015

	Note	Consolidated 31 December 2015 $	30 June 2015 $
ASSETS			
Current assets			
Cash and cash equivalents	4	2,364,220	10
Trade and other receivables		123,378	6,411
Total current assets		2,487,598	6,421
Non-current assets			
Plant and equipment		18,935	-
Exploration and evaluation assets	5	871,489	100,749
Total non-current assets		890,424	100,749
Total assets		3,378,022	107,170
LIABILITIES			
Current liabilities			
Payables	6	352,854	111,098
Total current liabilities		352,854	111,098
Total liabilities		352,854	111,098
Net assets		3,025,168	(3,928)
EQUITY			
Contributed equity	7	3,948,983	10
Reserves		638	-
Accumulated losses		(924,453)	(3,938)
Total equity		3,025,168	(3,928)

The above balance sheet should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

Consolidated Group	Contributed equity $	Accumulated losses $	Reserves $	Total $
Balance at 1 July 2014	10	-	-	10
Loss for the half-year	-	(2,012)	-	(2,012)
Other comprehensive income	-	-	-	-
Total comprehensive income	-	(2,012)	-	(2,012)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs	-	-	-	-
Balance at 31 December 2014	10	(2,012)	-	(2,002)
Balance at 1 July 2015	10	(3,938)	-	(3,928)
Loss for the half-year	-	(920,515)	-	(920,515)
Other comprehensive income	-	-	-	-
Total comprehensive income	-	(920,515)	-	(920,515)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs	3,948,973	-	-	3,948,973
Share-based payments	-	-	638	638
Balance at 31 December 2015	3,948,983	(924,453)	638	3,025,168

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

GRAPHITECORP

STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

	Consolidated Half-year 2015 $	2014 $
Cash flows from operating activities		
Receipts from customers (GST inclusive)	16,316	-
Payments to suppliers and employees (GST inclusive)	(362,234)	(3,482)
Interest received	1,468	-
Net cash outflow from operating activities	(344,450)	(3,482)
Cash flows from investing activities		
Payments for exploration assets	(575,144)	(38,186)
Payments for property, plant and equipment	(19,867)	-
Payment of security deposits	(1,000)	-
Net cash outflow from investing activities	(596,011)	(38,186)
Cash flows from financing activities		
Proceeds on issue of shares	3,421,862	-
Payment of capital raising costs	(116,927)	-
Proceeds from Director loans	59,749	41,668
Repayment of Director loans	(60,013)	-
Net cash inflow from financing activities	3,304,671	41,668
Net increase (decrease) in cash and cash equivalents	2,364,210	-
Cash and cash equivalents at the beginning of the half-year	10	10
Cash and cash equivalents at the end of the half-year	2,364,220	10
	=======	=======

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

GRAPHITECORP

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

Note 1 Summary of significant accounting policies

These general purpose interim financial statements for the interim half-year reporting period ended 31 December 2015 have been prepared in accordance with Australian Accounting Standard 134 *Interim Financial Reporting* and the *Corporations Act 2001,* as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. There has been no material impact on the financial statements by their adoption.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted. The potential financial impact of these changes is not yet possible to determine.

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed below.

Note 1 Summary of significant accounting policies (continued)

Exploration and evaluation costs
Exploration and evaluation costs have been capitalised on the basis that the consolidated entity will commence commercial production in the future, from which time the costs will be amortised in proportion to the depletion of the mineral resources. Key judgements are applied in considering costs to be capitalised which includes determining expenditures directly related to these activities and allocating overheads between those that are expensed and capitalised. In addition, costs are only capitalised that are expected to be recovered either through successful development or sale of the relevant mining interest. Factors that could impact the future commercial production at the mine include the level of reserves and resources, future technology changes, which could impact the cost of mining, future legal changes and changes in commodity prices. To the extent that capitalised costs are determined not to be recoverable in the future, they will be written off in the period in which this determination is made.

Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Graphitecorp Limited ('company' or 'parent entity') as at 31 December 2015 and the results of all subsidiaries for the year then ended. Graphitecorp Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the consolidated entity.

Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Note 1 Summary of significant accounting policies (continued)

Foreign currency translation
The financial statements are presented in Australian dollars, which is Graphitecorp 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.

Revenue recognition
Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Interest
Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue
Other revenue is recognised when it is received or when the right to receive payment is established.

Income tax
The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

GRAPHITECORP

Note 1 Summary of significant accounting policies (continued)

Operating segments
Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Current and non-current classification
Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents
Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

Other receivables
Other receivables are recognised at amortised cost, less any provision for impairment.

Exploration and evaluation assets
Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. Such expenditures comprise net direct costs and an appropriate portion of related overhead expenditure but do not include overheads or administration expenditure not having a specific nexus with a particular area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves and active or significant operations in relation to the area are continuing.

A regular review has been undertaken on each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

A provision is raised against exploration and evaluation assets where the directors are of the opinion that the carried forward net cost may not be recoverable or the right of tenure in the area lapses. The increase in the provision is charged against the results for the year. Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

Note 1 Summary of significant accounting policies (continued)

Property, plant and equipment
Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that 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	5 years

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

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 profit or loss.

Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

Trade and other payables
These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Employee benefits
Short-term employee benefits
Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits
The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Share-based payments
Equity-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, options or performance rights over shares, that are provided to employees in exchange for the rendering of services.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is determined using the the Monte Carlo Simulation method that takes into account the exercise price, the term of the performance right, the impact of dilution, the share price at grant date and expect price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the performance right.

Note 1 Summary of significant accounting policies (continued)

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made.

An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Issued capital
Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Dividends
Dividends are recognised when declared during the financial year and no longer at the discretion of the company.

Earnings per share
Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to the owners of Graphitecorp Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Note 1 Summary of significant accounting policies (continued)

Goods and Services Tax ('GST') and other similar taxes
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Note 2 Segment information

The consolidated entity has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources. The Company is managed primarily on a geographic basis that is the location of the respective areas of interest (tenements) in Australia. Operating segments are determined on the basis of financial information reported to the Board. The Group does not have any products/services where it derives revenue.

Management currently identifies the Company as having only one operating segment, being graphite exploration in Australia. All significant operating decisions are based upon analysis of the Company as one segment. The financial results from the segment are equivalent to the financial statements of the Company as a whole.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

Note 3 Expenses

	Half-year 2015 $	Half-year 2014 $
Loss before income tax includes the following specific expenses:		
Expenses		
Shares issued for no consideration (i)	595,380	-
Performance rights granted (ii)	638	-
Share-based compensation expense	596,018	-

(i) During the half-year period Mr St Baker was issued 2,976,903 fully paid ordinary shares in the company, representing 5% of the enlarged capital of Graphitecorp Limited prior to any issue under the prospectus, in accordance with his employment contract.

(ii) In accordance with Mr St Baker's employment contract he was granted performance rights as set out in the table below. The assessed fair value at grant date of performance rights granted is allocated equally over the period from grant date to the estimated vesting date. Fair values at grant date have been determined using the Monte Carlo Simulation method that takes into account the exercise price, the term of the performance right, the impact of dilution, the share price at grant date and expect price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the performance right.

Tranche	Rights	Vesting conditions	Vesting date	Value per right
2016	812,500	Graphitecorp' share price closes at $0.40 on 31 December 2016[1]	31 December 2016[2]	0.31 cents
2017	750,000	Graphitecorp' share price closes at $0.80 on 31 December 2017	31 December 2017	0.29 cents

[1] Rights will vest on a pro rata basis if, in respect of the 2016 tranche, Graphitecorp's share price closes above $0.20 but below $0.40 and, in respect of the 2017 tranche, Graphitecorp's share price closes above $0.40 but below $0.80.
[2] If any 2016 rights do not vest, then the vesting date for those rights is automatically extended to 31 December 2017 and will vest (or lapse) on the same basis as the 2017 tranche rights.

GRAPHITECORP

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

Note 4 Current assets – cash and cash equivalents

	31 December 2015 $	30 June 2015 $
Cash at bank	2,364,210	-
Cash on hand	10	10
	2,364,220	10

The above figures reconcile to cash and cash equivalents at the end of the financial period.

Note 5 Non-current assets – exploration and evaluation assets

	31 December 2015 $	30 June 2015 $
Exploration and evaluation assets – at cost	871,489	100,749
The capitalised exploration and evaluation assets carried forward above have been determined as follows:		
Balance at the beginning of the year	100,749	-
Expenditure incurred during the half-year	770,740	100,749
Balance at the end of the half-year	871,489	100,749

The Directors have assessed that for the exploration and evaluation assets recognised at 31 December 2015, the facts and circumstances do not suggest that the carrying amount of an asset may exceed its recoverable amount. In considering this the Directors have had regard to the facts and circumstances that indicate a need for an impairment as noted in Accounting Standard AASB *6 Exploration for and Evaluation of Mineral Resources*.

Note 6 Current liabilities – trade and other payables

	31 December 2015 $	30 June 2015 $
Trade payables	325,421	110,834
Other payables	27,433	264
	352,854	111,098

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

Note 7 Equity securities issued

	2015 Shares	2014 Shares	2015 $	2014 $
(a) Share capital				
Ordinary shares				
Fully paid	69,538,047	1,000	3,900,315	10

(b) Movements in ordinary share capital:

Date	Details	Note	Number of Shares	Issue Price	$
1 July 2014	Balance		1,000		10
August 2015	Share split	(c)	17,418,355		-
August 2015	Issue to sophisticated investors	(d)	4,803,382	$0.0775	372,262
October 2015	Issue to sophisticated investors	(e)	2,915,549	$0.36	1,049,598
November 2015	Share split	(f)	31,422,858		-
November 2015	Shares issued under prospectus	(g)	10,000,000	$0.20	2,000,000
November 2015	Shares issued to Director	(h)	2,976,903	$0.20	595,380
	Share issue costs		-		(68,267)
31 December 2015	Balance		69,538,047		3,948,983

(c) Share split
Share subdivision on a 1 for 17,418 basis

(d) Issue to sophisticated investors
The issue of 4,803,382 fully paid ordinary shares to sophisticated investors at an issue price of $0.0775 cash.

(e) Issue to sophisticated investors
The issue of 2,915,549 fully paid ordinary shares to sophisticated investors at an issue price of $0.36 cash.

(f) Share split
Share subdivision on a 1 for 2.25 basis.

(g) Shares issued under prospectus

The issue of 10,000,000 ordinary shares at an issue price of $0.20 per share to raise $2,000,000 cash before expenses of the Offer. All ordinary shares issued pursuant to the Prospectus were issued as fully paid. Transaction costs of $221,615 were incurred as a result of listing the company, of which $68,267 were directly attributable to capital raising and the remainder of $153,348 has been expensed.

(h) Shares issued to Director

The issue of 2,976,903 fully paid ordinary shares the company, representing 5% of the shares on issue just prior to this prospectus, to Mr St Baker in accordance with his employment contract. Refer to Note 3.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

Note 8 Earnings per share

	Consolidated	
	2015	**2014**
	$	**$**
Earnings per share for loss from continuing operations		
Loss after income tax attributable to the owners of Graphitecorp Limited	(920,515)	(2,012)

	Number	**Number**
Weighted average number of shares used in calculating basic and diluted earnings per share	52,147,806	39,193,549

	Cents	**Cents**
Basic earnings per share	(1.77)	(0.00)
Diluted earnings per share	(1.77)	(0.00)

On 6 November 2015 the Company did a subdivision of its share capital on a 1:2.25 basis (share split), as approved by shareholders on the same date, which resulted in the total number of fully paid ordinary shares on issue increasing from 25,138,286 to 56,561,144 shares. The basic and diluted loss per share for the 31 December 2015 and 31 December 2014 half years have been calculated on a post-share split basis.

Note 9 Events occurring after the balance sheet date

No other matters or circumstances has arisen since 31 December 2015 that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in future financial years.

DIRECTORS' DECLARATION

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the financial half-year ended on that date; and

- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors

Philip St Baker
Managing Director

8 March 2016
Brisbane

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of GRAPHITECORP Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of GRAPHITECORP Limited, which comprises the statement of financial position as at 31 December 2015, the statement of profit & loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of GRAPHITECORP Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001.*

BDO Audit Pty Ltd

BDO

C R Jenkins
Director

Brisbane, 8 March 2016