

**LANKA GRAPHITE LIMITED**  
(Formerly Viculus Limited)

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**Financial Report**

For the Year Ended 30 June 2015

## CORPORATE DIRECTORY

### Directors

Jitto Arulampalam – Executive Chairman  
Emily D’Cruz – Managing Director  
Alison Coutts – Non-Executive Director  
Alex Cowie - Non-Executive Director

### Registered Office

Suite 32, Level 18,  
101 Collins Street  
Melbourne 3000  
Victoria, Australia  
Phone: +61 3 9653 6394  
Fax: +61 3 9620 0777

### Stock Exchange Listing

Australian Securities Exchange  
ASX: LGR (Ordinary Shares)

### Website

<http://lankagraphite.com.au>

### Secretary

Justyn Stedwell

### Share Registry

Computershare Investor Services  
Yarra Falls  
452 Johnston St Abbotsford  
VIC, Australia, 3067  
Phone: +61 3 9415 4000  
Fax: +61 3 9473 2500

### Auditor

BDO  
Level 14, 140 William Street  
Melbourne VIC 3000 Australia  
Tel: +61 3 9603 1700  
Fax: +61 3 9602 3870

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## **DIRECTORS' REPORT**

The directors present their report on Lanka Graphite Limited ("the Company") for the financial year ended 30 June 2015. The Company does not have any subsidiaries or controlled entities.

### **Directors**

The names of directors in office at any time during or since the end of the year are:

Jitto Arulamaplam (appointed 6 August 2015, Executive Chairman)

Emily D'Cruz

Alexander Robert Cowie

Alison Mary Coutts

Derek Lo (resigned 25 August 2014)

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

### **Company Secretary**

The following person held the position of company secretary at the end of the financial year: Mr Derek Lo who resigned as company secretary on 6 August 2015. Mr Justyn Stedwell was appointed as company secretary on the 23 July 2015.

### **Principal activity**

The Company's principle activity has been the restricting of its activity and from the relisting of the company on 8 August 2015.

The principal activity is graphite exploration with a focus on the exploration of a number of historic and new mining tenements in Central and South Western Sri Lanka.

### **Dividends**

No dividends have been paid or declared, and no dividends have been recommended by the Directors.

## **Operating results and review of operations**

### **Operating results**

The loss of the Company after providing for income tax amounted to \$591,871 in 2015 (2014: Loss \$279,044).

### **Review of operations**

#### *Company prospectus*

During the year, the Company continued to progress the off-market takeover of Euro Petroleum Limited (Euro) and the re-quotations of its securities on ASX shifting the Company's future strategy to focus on exploration and development of graphite tenements in Sri Lanka

The Company lodged its prospectus with ASIC on 20 October 2014. On the 27 October, ASIC has placed an interim stop order on this prospectus. A replacement prospectus was lodged with ASIC on the 25 February 2015. Following lodgement of a supplementary prospectus with ASIC on 17 March 2015, the Company received an interim stop order dated 14 April 2015 in relation to replacement prospectus dated 25 Feb 2015 and supplementary prospectus dated 17 March 2015. The Company lodged a second supplementary prospectus on 1 May 2015 and notice of revocation to revoke the interim stop order was received from ASIC 4 May 2015. The Company lodged a third supplementary prospectus with ASIC on 19 June 2015.

### **Significant Events after the Balance Date**

Notice of compulsory acquisition to all Euro shareholders was sent on 17th July 2015. As at 17th July the relevant interest the Company had in Euro was 96.45% of Euro shares. The remaining 3.55% of Euro will be acquired by compulsory acquisition.

Change of Company name and ASX code from Viculus Limited (ASX: VCL) to Lanka Graphite limited (ASX:LGR) was completed on 24 July 2015.

On 6 August 2015, Federal Court issued orders and declarations confirming all conditions specifically condition (e) in the Euro takeover bid have been satisfied.

Exploration license EL236 and EL237 have been extended for 2 years beginning 6 July 2015.

The Company's shares re-commenced trading on ASX on 7 August 2015 following the successful acquisition of Euro by way of an off market takeover. Lanka Graphite received subscriptions of \$3,848,000 with the issue of 19,240,000 shares under the issued prospectus.

The Company appointed General Manager of Technical Services, Mr Supun Wimalanath, on 13 August 2015 to commence exploration activities in Sri Lanka.

On 13 August 2015, the Company was granted two new exploration licenses EL/307 and EL/308 located within Sabaragamuwa Province of Sri Lanka. The licenses comprise a total of 37 square kilometre grid units.

### **Significant Changes in the state of affairs**

The company has successfully completed the acquisition of Euro its shares re-commenced trading on ASX on 7 August 2015. The Company is now an Australian-based Graphite Exploration Company focused on exploring high purity vein graphite in Sri Lanka. For details refer to note 19.

### **Environmental Issues**

The Company's operations are not subject to significant environmental regulation.

### **Information on Directors and Company Secretary**

#### Jitto Arulamaplam (Executive Chairman, appointed 6 August 2015)

Mr Arulampalam has considerable experience as a director of various listed public companies in Australia. He is currently Chairman of Progen Pharmaceuticals Limited (ASX: PGL) and was Chairman of Euro Petroleum Ltd during the takeover. Mr Arulampalam has previously held positions as Chairman of ASX listed companies Fortis Mining Ltd (now Kazakhstan Potash Corporation Ltd), Greater Western Exploration Ltd, Medic Vision Ltd and ATOS Wellness Ltd.

AT 30 June 2015, Jitto Arulamaplam held 200,000 shares of the company and 3,000,000 shares under options.

#### Emily D'Cruz (Managing Director, appointed 11 June 2013)

Ms D'Cruz is a member of the Australian Institute of Company Directors (MAICD) and has results-based experience in corporate and business relationship management in the biotechnology field.

Ms D'Cruz' experience includes consulting widely to public listed companies and government bodies. Her current positions include: Managing Director of an investor relations and corporate consulting firm; a member of the State Government of Victoria's Multicultural Business Ministerial Council; a public officer of the Chinese Community Society of Victoria; and a member of the Advisory Committee of the World Taiwanese Chambers of Commerce.

Ms. D'Cruz was previously a director of Australian Natural Proteins Limited (ASX Code: AYB).

At 30 June 2015, Emily D'Cruz held 71,711 shares of the company and 4,000,000 shares under options.

Alexander Robert Cowie (Non-Executive Director, appointed 23 May 2014)

Alex Cowie is Director Research, Marketing and Distribution for Canaccord Genuity (Australia).

Alex was previously Editor of Diggers and Drillers where he pioneered a strategic minerals strategy, with a focus on graphite. In early 2012, Alex was the first to publish research on highly successful graphite explorer Syrah Resources. He has been a speaker on the graphite industry at several leading mining conferences, including Mines and Money Australia, and Mines and Money Hong Kong.

Alex holds a Master of Applied Finance through Kaplan Education, where he focused on Mining Valuation, Marketing, and Strategic Management.

At 30 June 2015, Alex held 500,000 shares under options.

Alison Mary Coutts (Non-Executive Director, appointed 23 May 2014)

Alison has extensive experience across a number of industry sectors and disciplines. This includes international engineering project management in large oil and gas projects with the Bechtel Corporation in the UK, USA and NZ, strategy consulting, management training and organisational structuring with the Boston Consulting Group, and executive search with Egon Zehnder.

Alison is formerly Chair of CSIRO's Health Sector Advisory Council and was a founder and director of eG Capital, which was a preeminent financial advisory firm in the Australian Life Sciences sector. Currently, Alison is a director in Datadot Technology Limited (ASX code: DDT), a company which developed a patented microdot application technology that allows various types of assets and their component parts to be uniquely marked and made uniquely identifiable; and Nusep Holdings, a Life Science company that provides innovative separations technology to redefine biological markets.

Alison has a degree in Chemical Engineering from the University of Melbourne and an MBA with Distinction from the Melbourne Business School, where she also won the CRA prize in Business Policy. She also has a Graduate Diploma in Biotechnology from the University of Melbourne.

At 30 June 2015, Alison held 500,000 shares under options.

Derek Lo, B.Com LLB Melbourne University (Non-Executive Director & Company Secretary, appointed Director and Secretary on 17 February 2014; resigned as a Director on 25 August 2014; resigned as Secretary on 6 August 2015)

Mr Derek Lo is a legal practitioner and a Partner in the law firm Canaan Lawyers. Mr Lo has acted for and advised companies including listed and public companies based in Australia and in the wider Asia Pacific region in a range of industries including manufacturing, wholesale and retail businesses, financial services, international trade, professional services, education and construction. Mr Lo is a registered foreign lawyer in Hong Kong. At 30 June 2015, Mr Lo was currently also the Company Secretary of the Company.

Justyn Stedwell (Company Secretary, appointed 23 July 2015)

Justyn has completed a Bachelor of Commerce at Monash University, a Graduate Diploma of Accounting at Deakin University, a Graduate Diploma of Applied Corporate Governance at the Governance Institute of Australia and a Graduate Certificate of Applied Finance at Kaplan Business School.

Justyn has over 8 years experience as a Company Secretary of ASX listed companies in various industries. He is currently the Company Secretary of several ASX listed companies including Imugene Limited, Rhinomed Limited, Manalto Limited, Rectifier Technologies Limited, Motopia Limited, Axxis Technology Group Limited and Australian Natural Proteins Limited. He was previously the Company Secretary of Kazakhstan Potash Corporation Limited and Nexvet Australia Pty Ltd.

**Meetings of Directors**

During the year, seven (7) meeting of the Board of directors was held. Attendances by each director during the year were as follows:

	Directors' Meetings	
	Number eligible to attend	Number attended
Emily D'Cruz	7	7
Derek Lo	-	-
Alexander Robert Cowie	7	7
Alison Mary Coutts	7	7

**Indemnifying Officers or Auditor**

To the extent permitted by law, the Company has indemnified each director from any liability arising out of the director discharging their duties and providing services as a director.

During or since the end of the financial year, the Company has not paid a premium in respect of insuring directors and officers, or the auditor of the Company for liabilities incurred in the management of the operations of the Company.

**Options**

• *Unissued Shares*

No options were issued during the financial year to employees or executives.

• *Shares issued as a result of the exercise of options*

During the financial year, employees and executives exercised no options to acquire shares of the Company or any related body corporate.

• *Shares under option at the date of the report*

Allocation	Expiry	Exercise	
Date	Date	Price	Number
August 2015	23 July 2018	30 cents	5,500,000(Escrowed)
August 2015	23 July 2018	30 cents	9,750,000(Escrowed)
September 2015	23 July 2017	30 cents	1,000,000

**Directors Interests**

At the date of this report the directors has the following interests in the company:

	Number of fully paid ordinary shares	Share options
Jitto Arulamaplam	200,000	3,000,000
Emily D'Cruz	71,711	4,000,000
Alexandra Cowie	-	500,000
Alison Coutts	-	500,000

**Proceedings on Behalf of Company**

There are no legal proceedings on behalf of the Company currently.

**Non-Audit Services**

The auditors did not provide any non-audit services during the year.

**Auditors Independence Declaration**

The auditor's independence declaration for the year ended 30 June 2015 has been received and can be found on page 10 of the Annual Report.



## REMUNERATION REPORT - AUDITED

### Remuneration Policy

The remuneration policy of Lanka Graphite Limited has been designed to align key management personnel (KMP) objectives with shareholder and business objectives by providing a fixed remuneration. The Board of Lanka Graphite Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain high-quality KMP to run and manage the Company, as well as create goal congruence between directors, executives and shareholders.

The Board's policy for determining the nature and amount of remuneration for KMP of the company is based on the following:

- The remuneration policy is to be developed by the Board of Directors based on market values, and require the approval of shareholders.
- The executive director, prior to the relisting of the company on the Australian Stock Exchange (ASX) received a base salary, superannuation and options; whereby the base salary will be payable 50% by cash and 50% by shares of the Company.
- The director(s), after the relisting of the company on the ASX, receive a base salary, superannuation and options; whereby the base salary will be payable 100% by cash.
- Incentives paid in the form of options are intended to align the interest of the directors and company with those of the shareholders. In this regard, KMP are prohibited from limiting risk attached to those instruments by use of derivatives or other means.

The Board's remuneration policy is to ensure the remuneration package properly reflects the person's duties and responsibilities.

KMP receive a superannuation guarantee contribution required by the government, which is currently 9.5% of the individual's average weekly ordinary time earnings (AWOTE), and do not receive any other retirement benefits.

Upon retirement, KMP are paid employee benefit entitlements accrued to the date of retirement. Any options not exercised before or on the date of termination will lapse.

All remuneration paid to KMP is valued at the cost to the company and expensed.

KMP are also entitled and encouraged to participate in the employee share and option arrangements to align directors' interests with shareholders' interests.

Options granted under the arrangement do not carry dividend or voting rights. Each option is entitled to be converted into one ordinary share once the interim or final financial report has been disclosed to the public and is valued using the Black-Scholes methodology.

KMP or closely related parties of KMP are prohibited from entering into hedge arrangements that would have the effect of limiting the risk exposure relating to their remuneration.

In addition, the Board's remuneration policy prohibits directors and KMP from using Lanka Graphite Limited shares as collateral in any financial transaction, including margin loan arrangements.

### Relationship between Remuneration Policy and Company Performance

The remuneration policy has been tailored to increase goal congruence between shareholders, directors and executives. One method available to achieve this aim is the issue of options to the directors and executives to encourage the alignment of personal and shareholder interests.

2015 Lanka Graphite Limited (formerly Viculus Limited) – Remuneration Policy (continued)

The following table shows the gross revenue, profits and dividends for the last five years or the listed entity, as well as the share prices at the end of the respective financial year.

	2011 \$ <sup>(2)</sup>	2012 \$	2013 \$	2014 \$	2015 \$
Revenue	16,151,165	1.019	-	-	-
Net profit	16,096,348	(71,372)	(77,072)	(279,044)	(591,871)
Shares price at year-end <sup>(1)</sup>	N/A	N/A	N/A	N/A	N/A
Dividends paid	Nil	Nil	Nil	Nil	Nil

<sup>(1)</sup> Shares have been suspended from trading for the past 10 years.

<sup>(2)</sup> The profit was attributable to net debt forgiven under a Deed & Company Arrangement.

Due to the lack of activity in the company, directors' fees have not been related to historical performance.

#### Employment Details of Members of Key Management Personnel

The following table provides employment details of persons who were, during the financial year, members of KMP of the Company. The table also illustrates the proportion of remuneration that was performance and non-performance based and the proportion of remuneration received in the form of options.

Group Key Management Personnel	Position Held as at 30 June 2015 and any Change during the year	Contract Details (Duration and Termination)	Proportions of Elements of Remunerations Related to Performance		Proportions of Elements of Remuneration Not Related to Performance	
			Shares/Units %	Options %	Fixed Salary/Fees %	Total %
Ms Emily D'Cruz	Managing Director (executive)	No fixed term. 6 months notice require to terminate	-	-	100 <sup>(1)</sup>	100
Ms Alison Coutts	Director (non-executive)	No fixed term.	-	-	100	100
Mr Alex Cowie	Director (non-executive)	No fixed term.	-	-	100	100
Mr Derek Lo	Director (non-executive; retired 25 August 2014) Company Secretary (resigned 6 August 2015)	No fixed term.	-	-	100	100

<sup>(1)</sup> 50% of the executive director's remuneration up to the date of relisting is to be settled by way of shares at 8 cents per share, a fixed value.

**Director’s Service Agreements**

(a) Executive Employment Agreement with Emily Lee D’Cruz

The Company has entered into an Executive Employment Agree for the engagement of Emily Lee D’Cruz as an executive director of the Company. The remuneration to be paid by the Company to Ms D’Cruz is the sum of \$120,000 per annum, and \$30,000 in director’s fee once the Company has achieved re-listing on Australian Stock Exchange.

The \$120,000 is to be taken in 50% cash with the remainder to be settled by the issue of 750,000 shares.

(b) Director Service Agreement – Alex Cowie

The Company has entered into a Directors Service Agreement with Alex Cowie. Pursuant to such agreement, Alex shall be entitled to Director’s fee of \$30,000 per annum once the Company has achieved re-listing on Australian Stock Exchange.

(c) Director Service Agreement – Alison Coutts

The Company has entered into a Directors Service Agreement with Alison Coutts. Pursuant to such agreement, Alison shall be entitled to Director’s fee of \$30,000 per annum once the Company has achieved re-listing on Australian Stock Exchange.

**Changes in Directors and Executives Subsequent to Year-end**

On 6 August 2015, Jitto Arulampalam was appointed as executive chairman.

**Table of Benefits and Payments for the Year Ended 30 June 2015**

		Short Term Benefits			Post-Employment Benefits		Total
		Salary, Fees and Leave	Share Based Payments – Equity Settled <sup>(a)</sup>	Other	Pension and Superannuation	Other	
		\$	\$	\$	\$	\$	\$
Ms Emily D’Cruz	2015	60,000	75,000	-	11,400	-	146,400
	2014	37,500	37,500	-	6,935	-	81,935
Ms Alison Coutts	2015	-	-	-	-	-	-
	2014	-	-	-	-	-	-
Mr Alex Cowie	2015	-	-	-	-	-	-
	2014	-	-	-	-	-	-
Mr Derek Lo	2015	-	-	-	-	-	-
	2014	-	-	-	-	-	-
<b>Total KMP</b>	2015	60,000	75,000	-	11,400	-	146,400
	2014	37,500	37,500	-	6,935	-	81,935

(a) This remuneration was not dependent upon the satisfaction of a performance condition. The remuneration was structured to conserve company cash prior to the capital raising. The 30 June 2015 remuneration has been fair valued using the closing price of the company shares on the date of relisting, 10 cents, with the 30 June 2014 remuneration valued using 8 cents per share. At 30 June 2015 there were 1,218,750 shares due to be issued once approval is obtained at the AGM. The liability for these share is recorded in other creditors.

**KMP's Shareholding**

KMP did not hold any shares within the company during the year.

**TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL**

Transactions between the company and related parties of Emily D'Cruz during the year ended 30 June 2015 consisted of loans advanced to the company.

	Transactions for the year ended 30 June		Balance outstanding at 30 June	
	2015	2014	2015	2014
	\$	\$	\$	\$
Advance from E D'cruz	-	15,000	15,000	15,000
Advance from Mercer Capital Limited (related company of E D'Cruz)	212,422	62,000	274,422	62,000

These loans were made to the Company with no security on an interest free basis and are to be repaid upon the completion of a successful capital raising by the Company.

This concludes the remuneration report, which has been audited.

This Directors' Report, incorporating the remuneration report, is signed in accordance with a resolution of the Board of Directors.



Mr. Jitto Arulamaplam  
Executive Chairman  
Melbourne

Dated: 30/09/2015

**DECLARATION OF INDEPENDENCE BY RICHARD DEAN TO THE DIRECTORS OF LANKA GRAPHITE LIMITED**

As lead auditor of Lanka Graphite Limited for the year ended 30 June 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 audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.



Richard Dean  
Partner

**BDO East Coast Partnership**

Melbourne, 30 September 2015

## CORPORATE GOVERNANCE STATEMENT

Lanka Graphite Limited has published its Corporate Governance Statement on its website. It was be found at [www. Lankagraphite.com/index.php/pages/corporate-governance/corporate governance](http://www.Lankagraphite.com/index.php/pages/corporate-governance/corporate%20governance)

Lanka Graphite Limited (formerly Viculus Limited) - Financial Statements

STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2015

	Note	30 June 2015	30 June 2014
		\$	\$
Revenue		-	-
Rent	2	(46,318)	(15,486)
Secretary, Legal & Administration		(37,401)	(87,934)
ASX & ASIC Fees		(76,974)	(1,383)
Advertising & Promotion		(63,378)	(6,543)
General expenses		(48,456)	(225)
Travel and Entertainment		(35,926)	(18,179)
Depreciation and Amortisation expense		(3,035)	(1,024)
Accounting & Audit fees	2	(62,383)	(43,320)
Donations		(10,919)	-
Finance charges		(35)	(5,370)
Employee Benefits expense		(132,046)	(62,080)
Share based payments		(75,000)	(37,500)
Loss before income tax		(591,871)	(279,044)
Income tax expense	3	-	-
<b>Loss after tax for the period attributable to members of the Company</b>		<b>(591,871)</b>	<b>(279,044)</b>
Other Comprehensive Income		-	-
<b>Total Comprehensive loss for the period attributable to members of the Company</b>		<b>(591,871)</b>	<b>(279,044)</b>
<b>Earnings per share</b>			
Basic earnings per share (cents)	4	(5.81)	(3.10)
Diluted earnings per share (cents)	4	(5.81)	(3.10)

The accompanying notes form part of these financial statements.

**Lanka Graphite Limited (formerly Viculus Limited) - Financial Statements**

**STATEMENT OF FINANCIAL POSITION**

AS AT 30 JUNE 2015

	Note	30 June 2015	30 June 2014
<b>CURRENT ASSETS</b>		\$	\$
Cash and cash equivalents	5	675	6,446
Other receivables	6	21,717	12,616
Other Assets	7	27,730	-
<b>TOTAL CURRENT ASSETS</b>		<b>50,122</b>	<b>19,062</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	8	3,615	6,650
<b>TOTAL NON-CURRENT ASSETS</b>		<b>3,615</b>	<b>6,650</b>
<b>TOTAL ASSETS</b>		<b>53,737</b>	<b>25,712</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	9	340,444	104,970
Borrowings	10	504,107	119,685
<b>TOTAL CURRENT LIABILITIES</b>		<b>844,551</b>	<b>224,655</b>
<b>TOTAL LIABILITIES</b>		<b>844,551</b>	<b>224,655</b>
<b>NET ASSETS (LIABILITIES)</b>		<b>(790,814)</b>	<b>(198,943)</b>
<b>EQUITY</b>			
Issued capital	11	23,107,075	23,107,075
Accumulated losses		(23,897,889)	(23,306,018)
<b>TOTAL EQUITY</b>		<b>(790,814)</b>	<b>(198,943)</b>

The accompanying notes form part of these financial statements.



**STATEMENT OF CHANGES IN EQUITY**  
FOR THE YEAR ENDED 30 JUNE 2015

	Issued Capital	Accumulated Losses	Total
	\$	\$	\$
<b>Balance as at 1 July 2013</b>	22,720,660	(23,026,974)	(306,314)
<b>Comprehensive Income</b>			
Loss attributable to members of parent entity	-	(279,044)	(279,044)
Total comprehensive loss	-	(279,044)	(279,044)
<b>Transactions with owners in their capacity as owners</b>			
Contributions of equity	406,415	-	406,415
Transaction costs	(20,000)	-	(20,000)
Total transactions with owners	386,415	-	386,415
<b>Balance as at 30 June 2014</b>	<b>23,107,075</b>	<b>(23,306,018)</b>	<b>(198,943)</b>
<b>Balance as at 1 July 2014</b>	23,107,075	(23,306,018)	(198,943)
<b>Comprehensive Income</b>			
Loss attributable to members of parent entity	-	(591,871)	(591,871)
Total comprehensive loss	-	(591,871)	(591,871)
<b>Balance as at 30 June 2015</b>	<b>23,107,075</b>	<b>(23,879,889)</b>	<b>(790,814)</b>

The accompanying notes form part of these financial statements.

**STATEMENT OF CASH FLOWS**  
FOR YEAR ENDED 30 JUNE 2015

	Note	2015 \$	2014 \$
<b>CASH FLOWS from OPERATING ACTIVITIES</b>			
Receipts from operations		-	-
Payments to suppliers and employees		(390,158)	(243,161)
Finance costs		(35)	(5,370)
<b>Cash used in operating activities</b>	12	(390,193)	(248,531)
<b>CASH FLOWS from INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		-	(7,674)
<b>Cash used in investing activities</b>		-	(7,674)
<b>CASH FLOWS from FINANCING ACTIVITIES</b>			
Proceeds from issue of shares		-	386,415
Proceeds from borrowings		384,422	(123,764)
Repayment of borrowings		-	-
<b>Cash provided by financing activities</b>		384,422	262,651
(Decrease)/Increase in cash		(5,771)	6,446
Cash at the beginning of financial year		6,446	-
Cash at the end of financial year	5	675	6,446

The accompanying notes form part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

This financial report is presented in Australian dollars and includes the financial statements of Lanka Graphite Ltd ("the Company" or "Lanka Graphite"), a company incorporated in Australia. Lanka Graphite does not have any subsidiaries or controlled entities.

The financial statements were authorised for issue in accordance with a resolution of directors on 30 September 2015. The directors have the power to amend and reissue the financial statements.

#### Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) for for-profit oriented entities, and the *Corporations Act 2001*.

The company 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 report from their adoption.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

There has been no significant impact on the accounting policies of the Company from the adoption of these Accounting Standards and Interpretations nor has there been any significant impact on the financial performance or position of the company.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently unless otherwise stated.

Except for cash flow information, the financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and liabilities.

#### Going concern

The financial statements have been prepared on a going concern basis, which contemplates continuity of normal trading activities and realisation of assets and settlement of liabilities in the normal course of business. However, the ability of the company to continue as a going concern is dependent on the company being able to successfully raise additional funds through debt or equity.

The company has completed a fundraising as part of its re-admittance to the Australian Securities Exchange. The funds available from this capital raising have enabled the company to fund the relisting process and to acquire an interest in tenements in Sri Lanka through the acquisition of Euro Petroleum Limited. The available funds will enable the company meet its administrative costs and undertake limited exploration work. In order for the company to expand its exploration activities to those envisaged by the directors additional capital will be required. The directors are aware of this matter and are considering options to enable the company to be in a position to undertake exploration activities as planned.

The existence of these conditions gives rise to a material uncertainty that may cast significant doubt over the entity's ability to continue as a going concern.

If the entity is unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than through the ordinary course of business and at amounts different to those stated in the financial report. The report does not include any adjustments relating to the recoverability and classification of asset carrying amount or the amounts of liabilities that might result should the entity be unable to continue as a going concern and meet its debts as and when they become due and payable.

**a) Income Tax**

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income). Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

**b) Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand and deposits held at call with banks. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

**c) Property, Plant and Equipment**

Each class of property, plant and equipment is carried at historical cost less depreciation or

amortisation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

**d) Depreciation**

The depreciable amount of all fixed assets including buildings and capitalised lease assets, but excluding freehold land, is depreciated on straight line basis over the asset's useful life to the group commencing from the time the asset is held ready for use.

The depreciation rates used for plant and equipment 20.00% and purchased software 50.00%.

The assets' residual values and useful lives are reviewed and adjusted if appropriate at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

**e) Intangible assets**

*Exploration and Evaluation Assets*

Exploration and evaluation expenditure in relation to separate areas of interest for which rights of tenure are current is carried forward as an asset in the statement of financial position where it is expected that the expenditure will be recovered through the successful development and exploitation of an area of interest, or by its sale; or exploration activities are continuing in an area and activities have not reached a stage which permits a reasonable estimate of the existence or otherwise of economically recoverable reserves. Where a project or an area of interest has been abandoned, the expenditure incurred thereon is written off in the year in which the decision is made.

Capitalised exploration costs are reviewed each reporting date as to whether an indication of impairment exists. If any such indication exists, the recoverable amount of the capitalised exploration costs is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years. Where a decision is made to proceed with development, accumulated expenditure will be tested for impairment, transferred to development properties, and then amortised over the life of the reserves associated with the area of interest once mining operations have commenced.

**f) Financial assets**

Financial assets are classified into the following categories: financial assets at fair value through profit or loss, held-to-maturity investments, available-for-sale financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets are held at fair value through profit and loss when the financial asset is either held for trading (it has been acquired principally for the purpose of selling in the short term) or it is designated as at fair value through profit and loss within the requirements of AASB 139: Financial Instrument; recognition and measurement. Financial assets at fair value through profit and loss are stated at fair value, with any gains or losses arising recognised in the statement of comprehensive income.

Held-to-maturity investments are measured at amortised cost using the effective interest rate method less any impairment, with revenue recognised on an effective yield basis.

Available for sale financial assets are held at fair value, with unrealised gains and losses arising from changes in fair value being recognised in other comprehensive income, except for impairments which are recognised in the profit and loss.

Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

**g) Non-financial assets held for sale**

Non-financial assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale rather than through continuing use. This is regarded as met only when the sale is highly probable and the non-current asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to occur within one year. When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale. Non-financial assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

**h) Impairment of Assets**

At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives. Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs. All impairment losses on goodwill are recognised in profit & loss.

Financial assets, other than those at fair value through profit and loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected. For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to profit and loss.

**i) Financial liabilities and equity instruments**

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Convertible Notes are initially recognised at the fair value of the liability portion of the Note as

determined by using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the Note. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of tax effects.

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

**j) Employee Benefits**

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within 12 months have been measured at the amounts expected to be paid when the liability is settled.

Employee benefits payable later than 12 months have been measured at the present value of the estimated future cash outflows to be made for those benefits. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

**k) Provisions**

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

**l) Revenue and Other Income**

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties. The group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the group's activities as described below. The group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Interest income is recognised using the effective interest method. When a receivable is impaired, the group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate. All revenue is stated net of the amount of goods and services tax (GST).

**m) Equity-settled compensation**

The Company operates equity-settled share-based payment employee share and option schemes. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is ascertained as the market bid price. The fair value of options is ascertained using a Black-Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at each reporting date, such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

**n) Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale are added to the cost of those assets, until such time as the assets are substantially ready for their intended use

or sale.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

**o) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item 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 ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented in the cash flow statement on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

**p) Estimates and Judgments and key sources of estimation uncertainty**

The preparation of financial statements require management to exercise its judgment and make estimates and assumptions in applying the consolidated entity's accounting policies which impact the reported amounts of assets, liabilities, income and expenses.

Estimates and judgments are evaluated on an ongoing basis and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The actual result may differ from these accounting estimates. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

Given that the company has realised the majority of its assets and extinguished the majority of liabilities, Management believes that there are no critical matters that involve a high degree of judgement or complexity, or where assumptions and estimation uncertainties are significant in the preparation of the financial statements included in the statement of profit or loss or the balance sheet.

**q) Segment Reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the strategic steering committee.

**r) New Accounting Standards and Interpretations not yet mandatory or early adopted**

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the company entity for the annual reporting period ended 30 June 2015. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the company, are set out below.



*AASB 9 Financial Instruments*

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The consolidated entity will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the company.

*AASB 15 Revenue from Contracts with Customers*

This standard is applicable to annual reporting periods beginning on or after 1 January 2017. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The consolidated entity will adopt this standard from 1 July 2017 but the impact of its adoption is yet to be assessed by the Company.

**NOTE 2: EXPENSES**

	2015	2014
	\$	\$
<i>Auditor – BDO</i>		
Audit or review of financial statements	31,995	24,000
Other Services	-	-
	31,995	24,000
<i>Auditor - TWB Accountants Pty Ltd</i>		
Audit or review of financial statements – 2013 financial year	3,382	14,320
	3,382	14,320
Defined contribution superannuation expense	16,662	8,426
Operating lease expense (lease agreement expired 3/3/15)	-	15,486

**NOTE 3: INCOME TAX EXPENSE**

	2015	2014
	\$	\$
Loss before income tax expense	(591,871)	(279,044)
Tax at statutory tax rate of 30%	(177,561)	(83,713)
<i>Tax effect amounts which are not deductible/(taxable) in calculating taxable income:</i>		
- Entertainment expenses	9,610	3,708
- Penalties	680	-
- Tax benefit of losses not recognized	167,271	80,005
Income tax expense	-	-

The company has not recognised any deferred tax asset in respect of tax losses carried forward as the directors consider it unlikely the company will be able to satisfy the tax requirements for recoupment of these losses.

**NOTE 4: EARNINGS PER SHARE**

	2015	2014
	\$	\$
Earnings used to calculate basic EPS	(591,871)	(279,044)
Weighted average no. of ordinary shares	10,193,860	8,989,233
Basic loss per share (cents)	(5.81)	(3.10)
Weighted average shares & options outstanding	10,193,860	8,989,233
Diluted loss per share (cents)	(5.81)	(3.10)

At 30 June 2015 a director is entitled to 1,218,759 shares as a share based payment in accordance with the terms of her employee agreement.

Subsequent to balance date, shares have been issued following the successful recapitalization of the company. (Refer note 20)

**NOTE 5: CASH AND CASH EQUIVALENTS**

	2015	2014
	\$	\$
Cash at bank and on hand	675	6,446
	675	6,446

**NOTE 6: OTHER RECEIVABLES**

	2015	2014
	\$	\$
GST refundable	16,559	12,616
ATO Insolvency Account	5,158	-
	21,717	12,616

**NOTE 7: OTHER ASSETS**

	2015	2014
	\$	\$
Share Issue Costs	27,730	-
	27,730	-

These costs relate to the capital raising that was completed in August 2015, the costs will be transferred to issued capital in the 2016 financial year. Refer to note 20 for details of the capital raising.

**NOTE 8: PROPERTY PLANT AND EQUIPMENT**

	2015	2014
<i>Plant and Equipment</i>		
At cost	7,674	7,674
Less accumulated depreciation	(4,059)	(1,024)
	3,615	6,650
<i>Reconciliation of written down values at the beginning and end of the year</i>		
Balance as at 1 July 2014	6,650	-
Additions	-	7,674
Depreciation expense	(3,035)	(1,024)
<b>Balance as at 30 June</b>	<b>3,615</b>	<b>6,650</b>

**NOTE 9: TRADE AND OTHER PAYABLES**

	2015	2014
	\$	\$
<i>Trade payables</i>		
Total Payables	72,380	13,660
<i>Sundry payables and accrued expenses</i>		
Other payables accruals	109,098	24,715
Accrued Expenses	158,966	66,595
Total trade and other payables	340,444	104,970

**NOTE 10: BORROWINGS**

	2015	2014
	\$	\$
<i>Unsecured liabilities</i>		
Unsecured loans	489,107	119,685
Related party loans	15,000	-
<b>Total Borrowings</b>	<b>504,107</b>	<b>119,685</b>

**NOTE 11: ISSUED CAPITAL**

	<i>Capital</i>	<i>Ordinary Shares</i>
	\$	No.
<b>Balance as at 1 July 2013</b>	22,720,660	5,086,930
Rights Issue (a)	406,415	5,086,930
Transaction Cost	(20,000)	-
<i>Balance as at 30 June 2014</i>	23,107,075	10,173,860
<b>Balance as at 1 July 2014</b>	23,107,075	10,173,860
Rights issue (b)	-	20,000
<i>Balance as at 30 June 2015</i>	23,107,075	10,193,860

- (a) On 23 September 2013, the company issued 5,086,930 ordinary shares at \$0.08 each to shareholders on the basis of one (1) share for every one (1) share held.

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

At the shareholders' meetings, each ordinary share is entitled to one vote when a poll is called; otherwise each shareholder has one vote on a show of hands.

There is currently no on market share buyback.

**(b) Adjustment to share register**

Following the investigation of a query from a shareholder regarding the non-inclusion on the share register of a share entitlement arising from the company's rights issue on 23 September 2013, it has been determined that the shareholder was entitled to 20,000 shares. The 20,000 shares were issued on 18 June 2015.

**(c) Capital Management**

Management controls the capital of the Company in order to obtain a sustainable debt to equity ratio, generate long-term shareholder value, ensure that the Company can fund its operations and recover from the uncertainty of continuing as a going concern.

**NOTE 11: ISSUED CAPITAL(CONT'D)**

The Company's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets.

There are no externally imposed capital requirements.

Management will manage the Company's capital by assessing the Company's financial risk and adjusting its capital structure in response to changes in these risks and the market. These responses include management of debt levels, distributions to shareholders and share issues.

There have no changes in the strategy adopted by management to control the capital of the Company since the prior year. This strategy is to recapitalize the company to ensure the Company's gearing ratio improves over the subsequent financial years.

**NOTE 12: CAPITAL AND LEASING COMMITMENTS**

	2015	2014
	\$	\$
<i>Operating Lease Commitments</i>		
<b>Non-cancellable operating leases for premises contracted for but not recognised in the financial statements</b>		
- not later than 12 months	-	21,600
- between 12 months and five years	-	-
- later than five years	-	-
	-	21,600

**NOTE 13: CASH FLOW INFORMATION**

	2015	2014
	\$	\$
<i>Reconciliation of cash flow from operations with loss after income tax</i>		
Loss after income tax & other comprehensive income	(591,871)	(279,044)
<b>Non-cash flows in loss:</b>		
- Depreciation and amortization expense	3,035	1,024
<b>Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:</b>		
- (increase)/decrease in other receivables	(9,101)	(12,616)
-(Increase)/decrease in other assets	(27,730)	-
- increase/(decrease) in trade and other payables	235,474	42,105
	(390,193)	(248,531)

**NOTE 14: SHARE-BASED PAYMENTS**

The executive director's, E D'Cruz, remuneration structure, prior to the company relisting was 50% cash with the remaining 50% to be satisfied by the issue of equity.

This remuneration was not dependent upon the satisfaction of a performance condition. The remuneration was structured to conserve company cash prior to the capital raising. The 30 June 2015 remuneration has been fair valued using the closing price of the company shares on the date of relisting, 10 cents, with the 30 June 2014 remuneration valued using 8 cents per share. At 30 June 2015 there were 1,218,750 shares due to be issued once approval is obtained at the AGM. The liability for these shares is recorded in other creditors.

Other than the above, there were no share-based payments during the accounting period.

**NOTE 15: CONTROLLED ENTITIES**

The Company has no subsidiaries or controlled entities.

**NOTE 16: FINANCIAL RISK MANAGEMENT**

*Derivatives*

The Company does not undertake hedging or nor does it use other derivative financial instruments.

*Foreign currency risk*

From time to time, the Company undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters and may utilise forward foreign exchange contracts. The group had no monetary assets or liabilities denominated in foreign currencies at the year-end or during the period or at the end of the prior period.

*Interest rate risk*

The Company is exposed to interest rate risk when entities in the Company borrow funds at either fixed or floating interest rates. The risk is managed by maintaining an appropriate mix between fixed and floating rate borrowings. The group has not historically undertaken hedging activities or entered into interest rate swaps.

There is no significant exposure to interest rate risk at 30 June 2015 or 30 June 2014.

*Credit risk*

Credit risk refers to the risk that a counter-party will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company's exposure and the credit ratings of its counterparties are monitored.

Trade receivables usually consist of a large number of customers, spread across markets and geographical areas. Credit evaluation is performed on the financial condition of customers.

The carrying amount of financial assets recognised in the financial statements, which are net of impairment losses, represents the Company's maximum exposure to credit risk, without taking into account collateral or other credit enhancements held. The Company does not hold any collateral or other credit enhancements to cover this credit risk.

*Liquidity risk*

Responsibility for liquidity risk management rests with the board of directors, which manages the Company's short-, medium- and long-term funding and liquidity management requirements. The Company has recently emerged from voluntary administration and is seeking to manage liquidity risk by obtaining adequate credit facilities and new capital.

The Company is currently exposed to liquidity to the extent of financial liabilities as stated in the financial statements. The Company has no lease or financial guarantee arrangements at the period end.

*Financing facilities*

As at 30 June 2015 the Company had fully drawn against facilities provided by the Directors (see Note 17). As at 30 June 2015, the company does not have access to any established finance facility.

*Fair value of financial instruments*

The net fair value of financial assets and liabilities approximates to their carrying value.



**NOTE 17: RELATED PARTY TRANSACTIONS***Transactions with key management personnel*

	Transactions for the year ended 30 June		Balance outstanding at 30 June	
	2015	2014	2015	2014
	\$	\$	\$	\$
Advance from E D'Cruz	-	15,000	15,000	15,000
Advance from Mercer Capital Limited (related company of E D'Cruz)	212,422	62,000	274,422	62,000

These loans were made to the Company with no security or an interest free basis and are to be repaid upon the completion of a successful capital raising by the Company.

*Service Purchased*

	2015	2014
Fees for accounting, legal and rent were accrued to:	\$	\$
A company in which a former director, Samuel Armytage, is a director and shareholder	-	9,000

*Other transactions with key management personnel*

	2015	2014
<i>Key Management Personal Compensation</i>	\$	\$
Short term employee benefits	135,000	75,000
Post employment benefits	11,400	6,935
Long term benefits	-	-
	146,400	81,935

No other transactions with key management personnel, other than as disclosed elsewhere in this Financial Report, occurred during the financial year.

**NOTE 18: SEGMENT INFORMATION**

The Group operates within one geographic sector, being Australa, and has undertaken activities in one area during the year, namely the re-structuring of its activities.

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**NOTE 19: CONTINGENT LIABILITIES AND COMMITMENTS**

As at the date of this report, the directors were not aware of any material contingent liabilities, assets or commitments.

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**NOTE 20: EVENTS SUBSEQUENT TO REPORTING DATE**

On 7<sup>th</sup> August 2015, Lanka Graphite Ltd was re-instated to official quotation. This followed the company's successful capital raising under its prospectus and compliance with ASX listing rules 11.1.3 and chapters 1 and 2 of the ASX rules.

The following events and transactions had taken place subsequent to the balance sheet date:

- Subscription under the company's prospectus for 19.240 million new ordinary shares in Lanka Graphite Ltd at an issue price of \$0.2 per share raising a total of \$3.848 million before cost of \$200,000; and
  - Acquisition of Euro Petroleum Limited (Euro) by allotment and issue to the Euro Shareholders of one (1) share in the company for every one (1) share held in Euro, a total of 40,795,100 new shares.
  - Payment of Euros liability for the remaining payment due for the acquisition of Lanka Graphite Pvt Ltd, a company holding Tenements and Exploration License Applications in Sri Lanka over areas which may be prospective for graphite, being an amount of \$1,070,000. This amount has been paid from the proceeds of the offer.
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DIRECTORS' DECLARATION

In the directors of opinion:

1. The financial statements and notes, as set out on pages 12 to 31, are in accordance with the *Corporations Act 2001*, the *Accounting Standards*, the *Corporations Regulations 2001* and other mandatory reporting requirement and:
  - a. as stated in accounting policy note 1 to the financial statements, comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board; and
  - b. give a true and fair view of the financial position as at 30 June 2015 and of the performance for the year ended on that date of the company;
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
3. This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2015.

This declaration is made in accordance with a resolution of the Board of Directors.



Mr. Jitto Arulamaplam  
Executive Chairman  
Melbourne

Dated: 30/09/2015

## INDEPENDENT AUDITOR'S REPORT

To the members of Lanka Graphite Limited

### Report on the Financial Report

We have audited the accompanying financial report of Lanka Graphite Limited, which comprises the statement of financial position as at 30 June 2015, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

#### Directors' Responsibility 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 Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

#### Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

#### Independence

In conducting our audit, 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 Lanka Graphite Limited, would be in the same terms if given to the directors as at the time of this auditor's report.



## Opinion

In our opinion:

- (a) the financial report of Lanka Graphite Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the company's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

## Emphasis of matter

Without modifying our opinion, we draw attention to Note 1 in the financial report, which indicates that the ability of the company to continue as a going concern is dependent upon the future successful raising of necessary funding through equity. This condition, along with other matters as set out in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the company's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business.

## Report on the Remuneration Report

We have audited the Remuneration Report included in pages 6 to 9 of the directors' report for the year ended 30 June 2015. 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.

## Opinion

In our opinion, the Remuneration Report of Lanka Graphite Limited for the year ended 30 June 2015 complies with section 300A of the *Corporations Act 2001*.

BDO East Coast Partnership

Richard Dean  
Partner

Melbourne, 30 September 2015

## SHAREHOLDER INFORMATION

The following additional information is required by the ASX Ltd in respect of listed public companies only. The information is current as at 24 September 2015.

### 1. Distribution of Shareholders

Distribution of shareholders	
Category(size of holding)	Number
1-1,000	1,611
1,000-5,000	68
5,001-10,000	96
10,001-100,000	179
100,000 and over	143
<b>Total</b>	<b>2,097</b>

### 2. Substantial Shareholders

There are no substantial shareholders in the Company.

### 3. Voting Rights

The voting rights attached to each class of equity security are as follows:

Ordinary shares - Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

Options - Options have no voting rights. The following Options are currently on issue:

	Number of Options Held
1 EMILY LEE	4,000,000
2 INVEST MINING PTY LTD	3,000,000
3 PAKAYA INVESTMENTS PTY LTD	3,000,000
4 AAAS PTY LTD <Sritheran Family A/C>	2,000,000
5 AASP PTY LTD <ASA Investment Trust>	1,500,000
6 ROUFE INVESTMENTS PTY LTD	1,000,000
7 ALISON COUTTS	500,000
8 DEREK LO	500,000
9 ALEX COWIE	500,000
10 JUSTYN STEDWELL	250,000
<b>TOTAL</b>	<b>16,250,000</b>

**4. 20 Largest Shareholders – Ordinary Shares**

		Number of Ordinary Fully Paid Shares Held	% Held of issue Ordinary Capital
1	CITY WINNER HOLDINGS LTD	3,000,000	4.27
2	MEDIGEN BIOTECHNOLOGY CORP	3,000,000	4.27
3	ROGUE INVESTMENTS PTY LTD	2,150,000	3.05
4	TZU LIANG HUANG	1,650,000	2.35
5	HARRY DOUMBOS	1,445,000	2.05
6	JIN JOEN INTERNATIONAL INVESTMENT CORP	1,300,000	1.85
7	BICCACINI PTY LTD <THE NEWPORT A/C>	1,092,500	1.55
8	PETER BIAN TES + YAJUNE GU	1,000,000	1.42
9	BONVILLA CONSTRUCTIONS PTY LTD	1,000,000	1.42
10	CHIEN AN CHANG	1,000,000	1.42
11	MR SHI-CHUNG CHANG	1,000,000	1.42
12	SHIH TSUNG CHANG	1,000,000	1.42
13	SHIH WEN CHANG	1,000,000	1.42
14	GERARD LUXON + MARK LUXON <THE G & M SUPERFUND>	1,000,000	1.42
15	BALANJALI MANDALESON	1,000,000	1.42
16	WINGO INVESTMENTS CORPORATION	1,000,000	1.42
17	MDRA PTY LTD	900,000	1.28
18	BICCACINI PTY LTD <THE NEWPORT A/C>	813,750	1.16
19	KSJ SUPERFUND PTY LTD	763,040	1.08
20	LJR CONSTRUCTIONS PTY LTD	760,000	1.08
		<b>25,874,290</b>	<b>0.37</b>

**5. Company secretary**

Mr Justyn Stedwell was appointed as company secretary on 23 July 2015.

**6. Registered office**

The address of the registered office and principle place of business is Level 32, 101 Collins Street, Melbourne.

Telephone: (03) 9008 0464

**7. Stock Exchange Listing**

The Company's ordinary shares are listed on the Australian Securities Exchange.

The Company's code on the Australian Stock Exchange is LGR.