

## APPENDIX 4D

Half-year report for the half-year ended 31 December 2015

Name of entity	ABN Reference
<b>LANKA GRAPHITE LTD</b>	<b>28 074 976 828</b>

### 1. Results for announcement to the market

*(On 24 July 2015, Lanka Graphite Ltd formally Viculus Ltd (LGL) acquired all of Euro Petroleum Ltd's (Euro) issued capital. At that date Viculus changed its name to Lanka Graphite Ltd.*

*The historical financial information has been prepared on the basis that the transaction is most appropriately accounted for as reverse acquisition as described in the financial report. Hence the historical financial information presented in this report reflects the Euro Petroleum Ltd financial information for comparatives.)*

Key Information	Current Period	Corresponding Period	Movement / Change	Amount of Change
	2015	2014	%	\$
Revenues from ordinary activities	-	-	-	-
Profit (Loss) from ordinary activities after tax attributable to members	(1,967,726)	(85,109)	(2,212%)	(1,882,617)
Net loss for the period attributed to members	(1,967,726)	(85,109)	(2,212%)	(1,882,617)

It is not proposed to pay a dividend for the half year.

### 2. Commentary on Financial results

The company did not engage in any commercial activity during the reporting period. The focus of the directors has been to lodge the company prospectus and address ASIC's concerns with the prospectus.

### 3. Net Tangible Asset

	Half-year ended 31 Dec 2015	Half-year ended 31 Dec 2014
Net tangible asset per ordinary security	\$0.042	\$0.044

Comparative is based on reverse acquisition basis, hence Euro petroleum assets are used in this calculation for comparative.

**4. Control gained or lost during the period**

On 24 July 2015, Lanka Graphite Ltd formally acquired all of Euro Petroleum Ltd's (Euro) issued capital. Euro Petroleum Ltd incurred a loss of \$163k for the half year ended 31 Dec 2015 and the loss of \$85k for the previous corresponding period.

**5. Accounting standard used by Foreign entities**

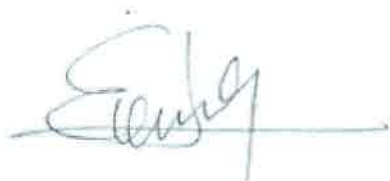
Refer to Note 1 "Statement of Accounting Policies: of the attached consolidated financial statements for the half year ended 31 December 2015.

**6. Independent Auditor's Review Report**

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report.

**7. Attachments**

The Interim Report of Lanka Graphite Limited for the half-year ended 31 December 2015 is attached.



Ms. Emily D'Cruz  
Director  
Melbourne

Dated: 15 March 2016

# Lanka Graphite Limited

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## Interim Report

For the Half-Year Ended 31 December 2015

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## **DIRECTORS' REPORT**

The directors present their report together with the financial report of the consolidated entity ("the Group"), consisting of Lanka Graphite Limited ("the Company") formerly known as Viculus Limited, and its subsidiaries, for the half-year ended 31 December 2015 and the Independent Review Report there on.

### **Directors**

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

Emily D'Cruz (appointed 11 June 2013)  
Jitto Arulampalam (appointed 6 August 2015)  
Alexander Robert Cowie (appointed 23 May 2014)  
Alison Mary Coutts (appointed 23 May 2014)

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

### **Company Secretary**

Mr. Justyn Stedwell held the position of company secretary at the end of the half-year.

### **Principal activity**

Lanka Graphite Limited (ASX: LGR) is an Australian-based Graphite Exploration Company focused on exploring high purity vein graphite in Sri Lanka. The Company was re-listed on the ASX in August 2015 following the completion of a merger between Viculus Ltd and Euro Petroleum Ltd by way of an off market takeover bid. The Company currently holds 7 exploration licences and 1 exploration licence application.

### **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**

On 24 July 2015 the company issued 40,925,100 fully paid shares to the shareholders of Euro Petroleum Ltd for the acquisition of Euro Petroleum Ltd and its interest in exploration assets in Sri Lanka.

The loss of the group attributable to owners of Lanka Graphite Limited after providing for income tax amounted to \$1,969,726 for the six months ended 31 December 2015 (31 December 2014: Loss \$85,109). This result was established having treated Euro Petroleum Ltd as the acquirer by applying the provisions of AASB 2 "Share based payments" to the Euro Petroleum Acquisition transaction.

## **Review of operations**

### *ASX Re listing*

The company raised \$3.8m share capital at an issue price of \$0.20 per share during this year and recommenced trading on the ASX from 7<sup>th</sup> August 2015.

### *Sri Lanka graphite project*

Following the successful completion of re-admission to the ASX, Company's focused its future strategy on exploration and development of graphite tenements in Sri Lanka. The total expenditure on evaluation and exploration to date is \$2.2m, which includes acquisition of tenements valued at \$2m.

During this this financial period the company has signed a Material Collaboration Agreement with the National Taiwan University of Science and Technology and a commercialisation agreement with a Taiwan based high Tech Investment Company specialising in IP transfer and commercialisation.

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

There are no major significant events to be reported.

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

There have been no significant changes in the company's activities.

## **Auditors Independence Declaration**

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

This Directors' Report is signed in accordance with a resolution of the Board of Directors, pursuant to section 306(3)(a) of the Corporations Act 2001.



.....  
Ms. Emily D'Cruz  
Director  
Melbourne

15 March 2016

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

As lead auditor for the review of Lanka Graphite 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 Lanka Graphite Limited and the entities it controlled during the period.



Richard Dean  
Partner

**BDO East Coast Partnership**

Melbourne, 15 March 2016

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

Note	Half - Year 31/12/2015	Half - Year 31/12/2014
	\$	\$
Revenue	-	-
Occupancy Expenses	(61,020)	-
Legal and Professional Expenses	(369,956)	(33,671)
Regulatory and Listing Expenses	4 (1,009,478)	-
Advertising and Promotion Expenses	(129,188)	(4,291)
Travel and Accommodation Expenses	(75,914)	(41,216)
Depreciation and Amortisation expense	(1,918)	-
Accounting and Audit Fee	(40,345)	-
Employment expenses	(234,115)	-
Other Expenses	(75,499)	(6,204)
<b>Loss from Continuing Operations</b>	<b>(1,997,433)</b>	<b>(85,382)</b>
Finance Income	310	273
<b>Loss after tax from Continuing operation</b>	<b>(1,997,123)</b>	<b>(85,109)</b>
Loss for the year attributable to; Minority Interest	(27,397)	-
Loss from continuing operations attributable to members of the company	(1,969,726)	(85,109)
	<b>(1,997,123)</b>	<b>(85,109)</b>
<b>Earnings per share</b>		
Basic earnings per share (cents)	5 (3.20)	(0.21)
Diluted earnings per share (cents)	5 (3.20)	(0.21)

The accompanying notes form part of these financial statements.



**STATEMENT OF FINANCIAL POSITION**  
AS AT 31 DECEMBER 2015

Notes	31-Dec-15	30- Jun-2015
<b>CURRENT ASSETS</b>	\$	\$
Cash and cash equivalents	1,014,659	12,987
Other receivables	86,062	6,112
Other financial assets	6	213,010
<b>TOTAL CURRENT ASSETS</b>	<b>1,100,721</b>	<b>232,109</b>
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	3,050	1,354
Exploration and Development Cost	7	330,071
Intellectual Property Rights	13,000	-
<b>TOTAL NON-CURRENT ASSETS</b>	<b>2,212,242</b>	<b>331,425</b>
<b>TOTAL ASSETS</b>	<b>3,312,963</b>	<b>563,534</b>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	322,022	116,687
<b>TOTAL CURRENT LIABILITIES</b>	<b>322,022</b>	<b>116,687</b>
<b>TOTAL LIABILITIES</b>	<b>322,022</b>	<b>116,687</b>
<b>NET ASSETS</b>	<b>2,990,941</b>	<b>446,847</b>
<b>EQUITY</b>		
Issued capital	8	2,413,184
Accumulated losses	(3,936,063)	(1,966,337)
Reserves	48,950	-
<b>EQUITY ATTRIBUTABLE TO OWNERS</b>	<b>2,418,338</b>	<b>446,847</b>
Non-Controlling Interest	572,603	-
<b>TOTAL EQUITY</b>	<b>2,990,941</b>	<b>446,847</b>

**Lanka Graphite Limited - Financial Statements**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2015**

**Attributable to Equity Holders of the Parent**

Note	Issued Capital	Accumulated Losses	Share option Reserve	Total	Non- Controlling interest	Total
	\$	\$	\$	\$	\$	\$
<b>Balance at 1 July 2015</b>	<b>2,413,184</b>	<b>(1,966,337)</b>	-	<b>446,847</b>	-	<b>446,847</b>
Total Comprehensive loss for the half year	-	(1,969,726)	-	(1,969,726)	(27,397)	(1,997,123)
<b>Transactions with owners in their capacity as owners:</b>						
Deemed Share issue on reverse acquisition	111,303	-	-	111,303	-	111,303
Issue of Shares	3,949,831	-	-	3,949,831	-	3,949,831
Cost attributable to issue of shares	(168,867)	-	-	(168,867)	-	(168,867)
Issue of Options- Management Remuneration	-	-	48,950	48,950	-	48,950
Non-Controlling Interest at the date of acquisition of Lanka Graphite Pvt Ltd	-	-	-	-	600,000	600,000
<b>Balance at 31 December 2015</b>	<b>6,305,451</b>	<b>(3,936,063)</b>	<b>48,950</b>	<b>2,418,338</b>	<b>572,603</b>	<b>2,990,941</b>
<b>Balance at 1 July 2014</b>	<b>2,297,184</b>	<b>(1,866,012)</b>	-	<b>431,172</b>	-	<b>431,172</b>
Total Comprehensive loss from continuing operations attributable to members of the company	-	(100,325)	-	(100,325)	-	(100,325)
<b>Transactions with owners in their capacity as owners:</b>						
Issue of Shares	116,000	-	-	116,000	-	116,000
<b>Balance at 30 June 2015</b>	<b>2,413,184</b>	<b>(1,966,337)</b>	-	<b>446,847</b>	-	<b>446,847</b>

The accompanying notes form part of these financial statements.

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

	Note	31-Dec-15 \$	31-Dec-14 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from operations		-	-
Payments to suppliers and employees		(1,254,369)	(74,755)
Interest received		310	329
Employee Salaries		(185,166)	-
<b>TOTAL</b>		<b>(1,439,225)</b>	<b>(74,426)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of Intellectual Property Rights		(13,000)	-
Cash Acquired on Acquisition of Euro Petroleum		12,987	-
Exploration and Evaluation Expenditure		(1,264,429)	-
<b>TOTAL</b>		<b>(1,264,442)</b>	<b>-</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares		3,848,000	119,000
Loan repayment from related parties		-	27,834
Loan to/from other parties		-	(95,000)
Cost of Raising capital		(130,349)	(3,000)
<b>TOTAL</b>		<b>3,717,651</b>	<b>48,834</b>
(Decrease) / Increase in cash		1,013,984	(25,592)
Cash at the beginning of financial year		675	48,462
Cash at the end of financial year		1,014,659	22,870

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 and its subsidiaries ("**the Group**"), a company incorporated in Australia.

#### **Basis of Preparation**

The financial statements are general purpose financial statements that have been prepared in accordance with AASB 134 'Interim Financial Reporting' and the *Corporations Act 2001*.

These general purpose financial statements do not include all the notes of the type normally included in the annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2015 which was prepared in accordance with the requirements of the *Corporations Act 2001* and applicable Australian Accounting Standards and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

To properly reflect the substance of the acquisition transaction the combination of Lanka Graphite Ltd and Euro Petroleum Ltd (Euro) is accounted for based on reverse acquisition accounting principles. In a reverse acquisition, the legal subsidiary, Euro Petroleum Ltd (Euro), is deemed to be the acquirer and the legal parent, Lanka Graphite Ltd ( Formerly Viculus Ltd), is deemed to be the acquiree. It is believed this treatment is most appropriate given control over the combined entity vests with shareholders of Euro.

#### **Going concern**

The consolidated entity has incurred a net loss of \$1,997,123 and a net cash out flow from operational activities of \$1,439,225 and investment cash out flow of \$1,264,429 in exploration and evaluation for the period ended 31 December 2015. It has no ongoing source of operating income and is dependent upon obtaining sufficient funding to meet its exploration expenditure budgets. These conditions indicate a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern.

The consolidated entity will need to raise additional capital from time to time. Any such fund raisings will be subject to factors beyond the control of the consolidated entity and its directors. When the consolidated entity requires further funding for its future programs the additional funds will be raised in a manner deemed most beneficial by the directors, taking in to account of working capital, project outcomes, budgets, share market conditions, opportunities of capital raising and industry conditions. The directors are confident of raising additional funds. If the entity is not successful in raising additional capital, minimum work obligations arising from its interests in exploration may, subject to negotiation and approval, be varied and/or satisfied by joint-ventures, sale of tenements interests.

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## **Lanka Graphite Limited - Financial Statements**

The financial statements have been prepared on the basis that the consolidated entity is a going concern, which contemplates the continuity of normal business activities and the discharge of liabilities in the normal course of the business at the amounts stated in the financial statements.

If the consolidated entity is unable to continue as a going concern it may be required to realise its assets and discharge its liabilities other than in the normal 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 assets carrying amounts or the amounts of liabilities that might result should the consolidated entity be unable to continue as a going concern and meet its obligations as and when they become due and payable.

### **(a) Accounting Policies**

The principal accounting policies adopted are consistent with those adopted and disclosed in the company's 2015 annual financial report for the financial year end 30 June 2015. Due to the change in activities, since 30 June 2015 the following accounting policies have been adopted.

### **(b) Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries on the basis they are controlled by the company (referred to as 'the Group' in this report). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. In the separate financial statements of the company, intra-group transactions ('common control transactions') are generally accounted for by reference to the existing (consolidated) book value of the items. Where the transaction value of common control transactions differ from their consolidated book value, the difference is recognized as a contribution by or distribution to equity participants by the transacting entities.

Non-Controlling interests in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the Group's equity therein. Non-Controlling interests consists of the amount of those interests at the date of the original business combination and the Non-Controlling interests share of changes in equity since the date of the combination. Losses applicable to the Non-Controlling interests in excess of the Non-Controlling equity interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the Non-Controlling interests has a binding obligation and is able to make an additional investment to cover the losses.

**(c) Business Combinations**

Acquisitions of subsidiaries and business are accounted for using the acquisition method. The consideration for each acquisition is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued in exchange for control of the acquiree. Acquisition related costs are recognized in the profit and loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments. All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant Standards. Changes in the fair value of contingent consideration classified as equity are not recognized.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB 3 are recognized at their fair value at acquisition date except that:

- Deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with AASB 12 Income Taxes and AASB 119 Employee Benefits respectively,
- Liabilities or equity instruments related to the replacement by the Group of an acquiree's share based payments awards are measured in accordance with AASB 2 Share Base Payments, and
- Assets (or Disposal groups) that are classified as held for sale in accordance with AASB 5 Non-Current Assets held for Sale and Discontinued Operations are measured in accordance with that Standard.

The company has determined that in respect of the acquisition accounting it will recognise Non-Controlling interests at their proportionate share of the net asset acquired.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date.

The measurement period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of acquisition date, is subject to a maximum of one year.

**(d) Exploration and evaluation expenditure**

Exploration and evaluation expenditures in relation to separate areas of interest, for which rights of tenure are current, are capitalized in the year in which they are incurred and are carried at cost less accumulated impairment losses where the following conditions are

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## Lanka Graphite Limited - Financial Statements

satisfied:

- (i) the rights to tenure of the area of interest are current; and
- (ii) at least one of the following conditions is also met;
  - The exploration and evaluation expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; and
  - Exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Capitalized 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 capitalized 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 recognized 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.

### Restoration, Rehabilitation and Environmental Expenditure

Restoration, rehabilitation and environmental costs necessitated by exploration and evaluation activities are provided for as part of the cost of those activities. Costs are estimated on the basis of current legal requirements, anticipated technology and future costs. Estimates of future costs are re-assessed at each reporting date.

### (e) Comparatives

On 24 July 2015, Lanka Graphite Ltd formally Viculus Ltd (LGL) acquired all of Euro Petroleum Ltd's (Euro) issued capital. At that date Viculus changed its name to Lanka Graphite Ltd.

The historical financial information has been prepared on the basis that the transaction is most appropriately accounted for as reverse acquisition as described below. Hence the historical financial information presented in this report reflects the Euro Petroleum Ltd financial information for comparatives.

### Reverse acquisition accounting

The acquisition of Euro (the legal subsidiary) by LGL (the legal parent) is deemed to be a reverse acquisition, since the substance of the transaction is such that the existing shareholders of Euro will obtain control of LGL. AASB 3 Business Combinations (AASB

## Lanka Graphite Limited - Financial Statements

3) sets out the accounting principles to be followed in a reverse acquisition transaction. However, the Directors have concluded that LGL does not meet the definition of a business as prescribed in AASB 3 and, as such, it has been deemed that the Acquisition cannot be accounted for in accordance with the guidance set out in AASB 3. Therefore, consistent with the accepted practice for transactions similar in nature to the Acquisition, the Company has accounted for the Acquisition in the consolidated financial statements of the legal acquirer (LGL) as a continuation of the financial statements of the legal acquiree (Euro), together with a share based payment measured in accordance with AASB 2 Share Based Payments (AASB 2), which represents a deemed issue of shares by the legal acquiree (Euro), equivalent to the current shareholders interest in LGL post the Acquisition. The excess of the assessed value of the share based payment over the net assets of LGL as at 24 July 2015 (the date of acquisition) has been expensed to the income statement as a Cost of listing.

### (f) Fair values of financial instruments

The Company has a number of financial instruments which are not measured at fair value in the Statement of Financial Position. Due to their short term nature, the carrying amount of the current receivables, current payables and current borrowings approximately their fair value.

### (g) New accounting standards for application for future periods

There are no new or revised Standards and Interpretations issued by the AASB relevant to the company's operations that are effective for the interim reporting period.

## NOTE 3: INCOME TAX EXPENSE

Consistent with prior periods, 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: REGULATORY AND LISTING COST

	31 DEC 2015	31 DEC 2014
	\$	\$
Cost of Listing on Reverse Acquisition	902,117	-
ASX/ASIC/Share Registry Fees	67,713	-
Board of Investment and Renewal Fee	39,648	-
<b>Total</b>	<b>1,009,478</b>	-



**NOTE 5: EARNINGS PER SHARE**

	<b>31 DEC 2015</b>	<b>31 DEC 2014</b>
Earnings used to calculate basic EPS	\$ (1,997,433)	\$ (85,109)
Weighted average no. of ordinary shares	62,495,471	40,725,100
Basic loss per share (cents)	(3.20)	(0.21)
Weighted average shares & options outstanding	62,495,471	40,725,100
Diluted loss per share (cents)	(3.20)	(0.21)

Potential changes related to share options are excluded from the calculation of diluted EPS because they are anti-dilutive.

**NOTE 6: OTHER FINANCIAL ASSETS**

	<b>31 Dec 2015</b>	<b>30 Jun 2015</b>
<i>Unsecured Liabilities</i>	\$	\$
Unsecured Loans	-	213,010
<b>Total</b>	-	<b>213,010</b>

Loan to VCL has been eliminated post acquisition.

**NOTE 7: EXPLORATION AND DEVELOPMENT EXPENDITURE**

	<b>31 Dec 2015 \$</b>	<b>30 June 2015 \$</b>
Opening balance 1 July	330,071	330,071
Payment for tenements rights upon acquisition of Euro Petroleum Ltd	1,070,000	-
Proportionate share of net assets of Non-Controlling interests	600,000	-
Exploration Expenditure since acquired	196,121	-
	<b>2,196,192</b>	<b>330,071</b>

Lanka Graphite Limited – Notes to the Financial Statements (continued)

NOTE 8: ISSUED CAPITAL

	2015		2014	
	\$	No.	\$	No.
Fully Paid ordinary shares	6,305,451	71,179,085	2,413,184	10,173,860
<b>Opening balance 1 July</b>	<b>2,413,184</b>	<b>10,193,860</b>	<b>2,297,184</b>	<b>10,173,860</b>
Acquisition of Euro petroleum Shares	-	40,795,100	-	-
Deemed share issue on acquisition of Euro Petroleum Ltd	111,303	-	-	-
Issue of shares pursuant to prospectus	3,848,000	19,240,000	-	-
Settlement of consulting fees	22,000	110,000	-	-
Issue of shares to settle director remuneration	79,831	840,125	-	-
Issue of Shares	-	-	116,000	-
Capital raising costs	(168,867)	-	-	-
<b>Balance 31 December</b>	<b>6,305,451</b>	<b>71,179,085</b>	<b>2,413,184</b>	<b>10,173,860</b>

In accordance with the principles of reverse acquisition described in note 1(e) Euro Petroleum Ltd is deemed to be the accounting acquirer. As such in disclosing movements in contributed equity, the dollar value is represented by accounting acquirer, Euro Petroleum Ltd and the number of shares is that of legal acquirer Lanka Graphite Ltd. Upon the completion of the takeover Lanka Graphite Ltd completed a capital raising of \$3,848,000 by issuing 19,240,000 shares.

NOTE 9: OPTIONS

Options on issue	No.	Exercise Price	Expiry Date
Options issued as consideration for Euro @ \$nil	9,750,000	30 cents	23 July 2017
Unlisted options issued to directors	5,500,000	30 cents	23 July 2018
Options issued as consideration for fees payable	1,000,000	30 cents	23 July 2017
	<b>16,250,000</b>		

**NOTE 10: ACQUISITION OF EURO PETROLEUM LTD**

Under the acquisition, Lanka Graphite Ltd acquired all the shares of Euro Petroleum Ltd by issuing 40,795,100 fully paid ordinary shares on 24 July 2015. This gave Euro Petroleum Ltd shareholders a controlling interest in Lanka Graphite Ltd, which equates to a controlling interest in the combined entity.

As described in the policy Notes 1(e) a share based payment transaction arises whereby Euro Petroleum Ltd is deemed to have issued shares in exchange for the net assets of Lanka Graphite Ltd together with Lanka Graphite Ltd's listed status. The listed status does not qualify for recognition as Intangible asset and has therefore been expensed in profit and loss as a listing expense.

	31 Dec 2015	30 June 2015
	\$	\$
Deemed Share Payment	111,303	-
Net Liabilities at acquisition date	790,814	-
Listing Expenses	902,117	-
	\$	\$
<b>Assets</b>		
Cash and Cash Equivalents	675	-
Trade and other Receivables	49,447	-
Property, Plant and Equipment	3,615	-
<b>Liabilities</b>		
Trade and Other Payables	(340,444)	-
Borrowings	(504,107)	-
<b>Total identifiable net Liabilities at fair value</b>	<b>(790,814)</b>	<b>-</b>

**NOTE 11: SEGMENT INFORMATION**

The Group has an operation in Sri Lanka where the graphite tenements exist. It operate through its subsidiary, Lanka Graphite Pte Ltd (Sri Lankan incorporated entity). Main activity of this company is exploration and feasibility studies. As this is the only operation of the company the directors review board reports in respect to the entire group.

**NOTE 12: CONTINGENT LIABILITIES AND COMMITMENTS**

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

**NOTE 13: EVENTS SUBSEQUENT TO BALANCE DATE**

There are no major subsequent event as at the Balance sheet date.

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## DIRECTORS' DECLARATION

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 5 to 17, are in accordance with the *Corporations Act 2001* and:
  - a. comply with Accounting Standard, AASB 134 'Interim Financial Reporting', the *Corporation Act 2001* and other mandatory professional requirements;
  - b. 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
2. There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



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Ms. Emily D'Cruz  
Director  
Melbourne

15 March 2016

## INDEPENDENT ASSURANCE PRACTITIONER'S REVIEW REPORT

To the members of Lanka Graphite Limited

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Lanka Graphite Limited, which comprises the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant 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 Lanka Graphite Limited 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 Lanka Graphite 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 the consolidated entity, would be in the same terms if given to the directors as at the time of this auditor's review report.

### Conclusion

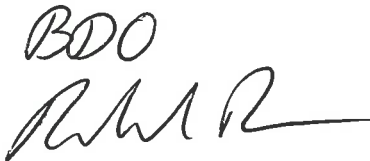
Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Lanka Graphite Limited is not in accordance with the *Corporations Act 2001* including:

- 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*.

### Emphasis of matter

Without modifying our conclusion, we draw attention to Note 1 in the half-year 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, successful exploration and subsequent exploitation of the company's tenements. These conditions, 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.

BDO East Coast Partnership



Richard Dean  
Partner

Melbourne, 15 March 2016