

APPENDIX 4D

Half-year report for the half-year ended 31 December 2016

Name of entity	ABN Reference
LANKA GRAPHITE LTD	28 074 976 828

1. Results for announcement to the market

Key Information	Current Period	Corresponding Period	Movement / Change	Amount of Change
	2016	2015	%	\$
Revenues from ordinary activities	53	310	(82.9%)	257
Loss from ordinary activities after tax attributable to members	(813,194)	(1,969,726)	58.7%	1,156,532
Net loss for the period attributed to members	(813,194)	(1,969,726)	58.7%	1,156,532

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 operating result of the Group has decreased to \$813k (2015: \$1.97m); the 2015 loss also consists of \$902k for an adjustment made for reverse acquisition listing cost under share based payment (AASB 2).

Additional capital raising activities were undertaken during the period which raised \$1.15m by issuing convertible notes.

3. Net Tangible Asset

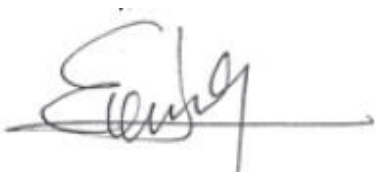
	Half-year ended 31 Dec 2016	Half-year ended 31 Dec 2015
Net tangible asset per ordinary security	\$0.235	\$0.042

4. 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.

5. Attachments

The Interim Report of Lanka Graphite Limited for the half-year ended 31 December 2016 is attached.



.....
Ms. Emily Lee
Director
Melbourne
Dated: 16 March 2017

Lanka Graphite Limited

Interim Report

For the Half-Year Ended 31 December 2016

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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") and its subsidiaries, for the half-year ended 31 December 2016.

Directors

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

Emily Lee (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 half 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 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

The loss of the group attributable to owners of Lanka Graphite Limited after providing for income tax amounted to \$813,194 for the six months ended 31 December 2016 (31 December 2015: Loss \$1,969,726).

Review of operations

Sri Lanka graphite project

During the quarter, Lanka Graphite announced results from an ongoing VLF geophysical survey and geological mapping exercise undertaken over its Exploration Licences.

Geological mapping identified old pits, shafts and adits on Exploration Licences (EL) 236 and 237. The mapping also highlighted structural and lithological trends possibly related to vein graphite mineralisation. The results suggested the presence of graphite mineralisation between and beyond the environs of the mine workings, indicating that the mineralisation may extend beyond historical mining areas. Several conductors detected in the surveys have no historical workings and may be related to untested graphite mineralisation under cover.

The VLF surveys are essentially a semi-quantitative approach; to define testable targets and explore for blind graphite veins away from historical workings, Lanka proposes to complete modern high-powered fixed-loop, time domain, electromagnetic surveys (FLEM).

Lanka is reviewing all the new data and will integrate it with existing geological information to rank targets for FLEM follow up.

Lanka has previously announced in June 2016 that it has completed a feasibility study on commercialising Sri Lanka government assets. Lanka Graphite continues to advance its discussions with the Sri Lankan government to progress into a binding MOU

Convertible Note Issue

Lanka Graphite has secured funding of \$1.42 Million via issue of convertible Notes to new and existing shareholders. Funds from the issue will be utilised for working capital to continue to progress both the MOU with the Sri Lankan government and also for further exploration of the Company's graphite tenements.

Graphene Production Patent Awarded

During the quarter, Lanka Graphite's research partner, the National Taiwan University of Science and Technology was granted a graphene production patent in Taiwan.

This granted patent relates to a method of producing graphene via Liquid Phase Exfoliation (LPE), which uses intercalating molecules to produce a modified graphene from the vein graphite that has historically been mined from workings found within Lanka Graphite's exploration licences in Sri Lanka. From trials and research conducted at NTUST, results have shown that the graphene produced via this patented technology is suitable for application in thermal management, electrical devices, energy storage and conversion, and for battery anodes.

This was a key element in the project, which is aiming to develop a scalable production method to produce high-quality graphene using the raw vein graphite samples from Lanka Graphite.

Significant Events after the Balance Date

There are no major significant events to be reported.

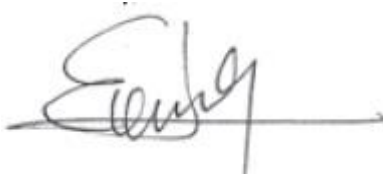
Significant Changes in the state of affairs

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 Lee
Director
Melbourne

Date: 16 March 2017

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

As lead auditor of Lanka Graphite Limited for the half year ended 31 December 2016, I declare that, to the best of my knowledge and belief, there have been:

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

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



Richard Dean
Partner

BDO East Coast Partnership

Melbourne, 16 March 2017

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS & OTHER
COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**

Note	Half - Year 31/12/2016 \$	Half - Year 31/12/2015 \$
Revenue	53	310
Director's fees	(65,000)	(50,000)
Occupancy expenses	(36,134)	(61,020)
Legal and professional expenses	(186,670)	(369,956)
Regulatory and listing expenses	(27,810)	(1,009,478)
Advertising and promotion expenses	(10,784)	(129,188)
Travel and accommodation expenses	(73,578)	(75,914)
Depreciation and amortisation expense	(8,174)	(1,918)
Feasibility studies	(76,599)	(15,000)
Finance expense	(93,783)	-
Accounting and audit fee	(29,150)	(40,345)
Employment expenses	(181,444)	(184,115)
Other expenses	(27,330)	(60,499)
Loss before income tax	(816,403)	(1,997,123)
Income tax expense	-	-
Loss after income tax	(816,403)	(1,997,123)
Other comprehensive income	-	-
Total comprehensive loss	(816,403)	(1,997,123)
Loss for the half year attributable to Minority Interest	(3,209)	(27,397)
Loss for the half year attributable to members of the company	(813,194)	(1,969,726)
	(816,403)	(1,997,123)
Earnings per share		
Basic earnings per share (cents)	7	(1.15) (3.20)
Diluted earnings per share (cents)	7	(1.15) (3.20)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

Notes	31-Dec-16	30- June-2016
	\$	\$
CURRENT ASSETS		
Cash and cash equivalents	792,334	390,720
Other receivables	-	97,698
TOTAL CURRENT ASSETS	792,334	488,418
NON-CURRENT ASSETS		
Property, plant and equipment	57,057	63,052
Exploration and development cost	8 2,292,397	2,252,398
Intellectual property rights	42,735	25,780
TOTAL NON-CURRENT ASSETS	2,392,189	2,341,230
TOTAL ASSETS	3,184,523	2,829,648
CURRENT LIABILITIES		
Trade and other payables	200,924	282,050
Borrowings	9 1,262,789	230,000
TOTAL CURRENT LIABILITIES	1,463,713	512,050
TOTAL LIABILITIES	1,463,713	512,050
NET ASSETS	1,720,810	2,317,598
EQUITY		
Issued capital	10 6,295,151	6,295,151
Accumulated losses	(5,385,301)	(4,572,107)
Reserves	11 263,615	44,000
EQUITY ATTRIBUTABLE TO OWNERS	1,173,461	1,767,044
Non-controlling interest	547,345	550,554
TOTAL EQUITY	1,720,810	2,317,598

The accompanying notes form part of these financial statements.

Lanka Graphite Limited - Financial Statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

Note	Issued Capital	Accumulated Losses	Reserves	Total Equity Attributable to Owners	Non- Controlling interest	Total Equity
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2015	2,407,184	(1,960,337)	-	446,847	-	446,847
Total Comprehensive loss for the half year	-	(1,969,726)	-	(1,969,726)	(27,397)	(1,997,123)
Transactions with owners in their capacity as owners:						
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 Euro Petroleum Ltd	-	-	-	-	600,000	600,000
Balance at 31 December 2015	6,299,451	(3,930,063)	48,950	2,418,338	572,603	2,990,941
Balance at 1 July 2016	6,295,151	(4,572,107)	44,000	1,767,044	550,554	2,317,598
Total comprehensive loss for the half year	-	(813,194)	-	(813,194)	(3,209)	(816,403)
Transactions with owners in their capacity as owners:						
Issue of convertible notes	-	-	219,615	219,615	-	219,615
Balance at 31 December 2016	6,295,151	(5,385,301)	263,615	1,173,465	547,345	1,720,810

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR HALF - YEAR ENDED 31 DECEMBER 2016

	Note	31-Dec-16	31-Dec-15
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(736,806)	(1,439,535)
Interest received		53	310
TOTAL		(736,753)	(1,439,225)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of intellectual property rights		(16,955)	(13,000)
Cash acquired on acquisition of Euro Petroleum		-	12,987
Purchase of plant and equipment		(2,179)	-
Exploration and evaluation expenditure		(39,999)	(1,264,429)
TOTAL		(59,133)	(1,264,442)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		-	3,848,000
Proceeds from convertible notes		1,197,500	-
Cost of raising capital		-	(130,349)
TOTAL		1,197,500	3,717,651
Increase in cash		401,614	1,013,984
Cash at the beginning of financial year		390,720	675
Cash at the end of financial year		792,334	1,014,659

The accompanying notes form part of these financial statements.

Lanka Graphite Limited – Notes to the Consolidated Financial Statements

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: NATURE OF OPERATIONS

Lanka Graphite Limited and Subsidiaries (“the Group”) principle activities are mainly focused on exploring and mining high purity vein graphite in Sri Lanka.

1.2: General information and Basis of Preparation

The condensed interim consolidated financial statements (‘the interim financial statements’) of the Group are for the six (6) months ended 31 December 2016 and are presented in Australian Dollars (\$AUD), which is the functional currency of the Parent Company. These general purpose financial statements have been prepared in accordance with the *Corporations Act 2001* and *AASB134 Interim Financial Reporting*. They do not include all of the information required in annual financial statements in accordance with Australian Accounting Standards, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 30 June 2016 and any public announcements made by the Group during the half-year in accordance with continuous disclosure requirements arising under the Australian Securities Exchange Listing Rules and the Corporations Act 2001.

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 financial liabilities.

1.3: Significant accounting policies

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the Group’s last annual financial statements for the year ended 30 June 2016.

The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these interim financial statements.

Principles of Consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent (Lanka Graphite Ltd) and all of the subsidiaries (including any structured entities). Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as “non-controlling interests”. The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary’s net assets on liquidation at either fair value or at the non-controlling interests’ proportionate share of the subsidiary’s net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of profit or loss and comprehensive income.

Lanka Graphite Limited – Notes to the Consolidated Financial Statements

Critical Accounting Estimates and Judgements

The directors evaluate estimates and judgements incorporated into the financial statements 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.

Exploration and evaluation expenditure

The Group capitalises expenditure relating to exploration and evaluation where it is considered likely to be recoverable or where the activities have not reached a stage that permits a reasonable assessment of the existence of reserves. While there are certain areas of interest from which no reserves have been extracted, the directors are of the continued belief that such expenditure should not be written off since feasibility studies in such areas have not yet concluded. Such capitalised expenditure is carried at the end of the reporting period at \$2,292,397.

Share-based payment transactions

The consolidated entity measures the cost of equity settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using the Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next reporting period but may impact the profit or loss and equity. Refer to Note 18 for additional detail.

Estimation of useful lives of assets

The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated, or where technically obsolete or non-strategic assets that have been abandoned or sold requiring them to be written off.

NOTE 2: GENERAL INFORMATION AND STATEMENT OF COMPLIANCE

The address of the parent company's registered office and its principal place of business is Suite 32, Level 18, 101 Collins Street, Melbourne 3000, Victoria, Australia.

The consolidated interim financial statements for the six months ended 31 December 2016 were approved and authorised for issue by the Board of Directors on 16th March 2017.

NOTE 3: SUMMARY OF ACCOUNTING POLICIES

3.1 Overall Consideration

The consolidated financial statements have been prepared using the significant accounting policies and measurement bases summarised below.

Going concern

The consolidated entity has incurred a net loss of \$816,403 and a net cash out flow from operational activities of \$736,753 and investment cash out flow of \$59,133 that includes exploration and evaluation and purchase of equipment for the six month ended 31 December 2016. 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.

Lanka Graphite Limited – Notes to the Consolidated Financial Statements

The Company has received \$1.4 million of convertible note funding that was issued in October 2016. This will provide funding to enable the company to continue its exploration activities. Until the consolidated entity establishes cash flow positive operations, it will need to raise additional capital. The directors are currently considering further funding for its future programs. The additional funds will be raised in a manner deemed most beneficial by the directors, taking into account working capital, project outcomes, budgets, share market conditions, opportunities of capital raising and industry conditions. The directors are confident that the current business plans will enable them to raise additional funds as required, however the ability to achieve such fund raisings may be dependent upon market conditions beyond the control of the consolidated entity and its directors.

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.

3.2 Business combination

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

3.3 Intangible assets

Recognition of intangible assets

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 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:
 - a. 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
 - b. 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 is continuing.

Capitalized exploration costs are reviewed at each reporting date and are evaluated according 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.

Lanka Graphite Limited – Notes to the Consolidated Financial Statements

Intellectual property rights

Intellectual property rights are recognised at cost of acquisition, less impairment losses. They have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. They are amortised over their useful lives ranging from 15 to 20 years

Accrual 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 wholly settled within 12 months have been measured at the amounts expected to be paid when the liability is settled.

NOTE 4: SEGMENT INFORMATION

The Group has operations in Sri Lanka where it holds its graphite tenements are located. It operates through its subsidiary, Lanka Graphite Pte Ltd (Sri Lankan incorporated entity). The 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 5: 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 6: REGULATORY AND LISTING COST

	31 Dec 2016	31 Dec 2015
	\$	\$
Cost of Listing - Reverse Acquisition	-	902,117
ASX/ASIC/Share Registry Fees	27,810	67,713
Board of Investment and Renewal Fee	-	39,648
Total	27,810	1,009,478

NOTE 7: EARNINGS PER SHARE

	31 Dec 2016	31 Dec 2015
	\$	\$
Earnings used to calculate basic EPS	(816,403)	(1,997,123)
Weighted average no. of ordinary shares	71,180,085	62,495,471
Basic loss per share (cents)	(1.15)	(3.20)
Weighted average shares & options outstanding	71,180,085	62,495,471
Diluted loss per share (cents)	(1.15)	(3.20)

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

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

NOTE 8: EXPLORATION AND DEVELOPMENT COST

	31 Dec 2016 \$	30 June 2016 \$
Exploration and development cost	2,292,397	2,252,398
	31 Dec 2016 \$	30 June 2016 \$
Balance at the beginning of the period	2,252,398	330,071
Payment for tenements rights upon acquisition of Euro Petroleum Ltd	-	1,070,000
Proportionate share of exploration assets of Non-Controlling interests on acquisition of Euro Petroleum Ltd.	-	600,000
Exploration expenditure capitalised	39,999	252,327
Balance at the end of the period	2,292,397	2,252,398

NOTE 9: BORROWINGS

	31 Dec 2016 \$	30 June 2016 \$
Convertible notes	1,262,789	-
Unsecured loans	-	230,000
Total	1,262,789	230,000

The company issued 10 Convertible notes with a total combined face value of \$1,427,500 during the half year ended 31 December 2016. The notes mature in September 2017 and are convertible into Lanka Graphite ordinary shares at a conversion price/share issue price of \$0.125 (at request of noteholder). The interest payable on these convertible notes is 10% per annum.

This convertible notes have been split in to debt and equity component in the statement of financial position of the group.

NOTE 10: ISSUED CAPITAL

	31 Dec 2016		30 June 2016	
	\$	No.	\$	No.
Fully Paid ordinary shares	6,295,151	71,180,085	6,295,151	71,180,085
	31 Dec 2016		30 June 2016	
	\$	No.	\$	No.
Balance at the beginning of the period	6,295,151	71,179,085	2,413,184	10,193,860
Acquisition of Euro Petroleum Ltd 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
Capital raising costs	-	-	(173,367)	-
Balance at the end of the period	6,295,151	71,180,085	6,295,151	71,180,085

Lanka Graphite Limited – Notes to the Financial Statements (continued)**NOTE 11: RESERVES**

	Share Option Reserve	Convertible Notes Reserve	Total
Balance at 1 July 2015	-	-	-
Issue of options – Management remuneration	44,000	-	44,000
Balance at 30 June 2016	44,000	-	44,000
Issue of convertible notes	-	219,615	219,615
Balance at 31 December 2016	44,000	219,615	263,615

NOTE 12: OPTIONS

	Grant Date	Expiry Date	Exercise Price	No.
Options issued as consideration for Euro @ \$nil	23/07/2015	23/07/2017	\$0.30	9,750,000
Options issued as consideration for fees payable	10/09/2015	23/07/2017	\$0.30	1,000,000
Unlisted options issued to directors	23/07/2015	23/07/2018	\$0.30	5,500,000
				<u>16,250,000</u>

NOTE 13: 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 14: EVENTS SUBSEQUENT TO BALANCE DATE

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

Lanka Graphite Limited – Directors’ Declaration

DIRECTORS' DECLARATION

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 5 to 15, 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 2016 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.



.....
Ms. Emily Lee
Director
Melbourne

16 March 2017



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INDEPENDENT AUDITOR'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 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 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 Lanka Graphite Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.



Conclusion

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

- (i) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Emphasis of matter - Material uncertainty relating to going concern

We draw attention to Note 3.1 in the financial report, which describes the conditions which give rise to a material uncertainty that may cast significant doubt on the consolidated entity's ability to continue as a going concern and therefore the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

BDO East Coast Partnership

A handwritten signature in black ink, appearing to read 'R. Dean', written over the printed name and title.

Richard Dean
Partner

Melbourne, 16 March 2017