

APPENDIX 4D

Half-year report for the half-year ended 31 December 2018

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

1. Results for announcement to the market

Key Information	Current Period 2018	Corresponding Period 2017	Movement / Change	Amount of Change
	\$	\$	%	\$
Revenues from ordinary activities	3	12	-75%	(9)
Loss from ordinary activities after tax attributable to members	(661,439)	(792,646)	17%	131,207
Net loss for the period attributed to members	(661,439)	(792,646)	17%	131,207

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 loss of the Group has reduced to \$663,233 from 2017 corresponding period (2017: \$801,078).

No Additional capital raising activities were undertaken during the period.

3. Net Tangible Asset

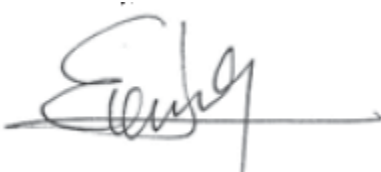
	Half-year ended 31 Dec 2018	Half-year ended 31 Dec 2017
Net tangible asset per ordinary security	(\$0.000)	\$0.015

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 2018 is attached.



.....
Ms. Emily Lee
Director
Melbourne
Dated: 12 March 2020

Lanka Graphite Limited

Interim Report

For the Half-Year Ended 31 December 2018

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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 2018.

Directors

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

Emily Lee (Managing Director, appointed 11 June 2013, resigned 24 May 2018 and appointed as a Non-Executive Director from 25 May 2018)

Jitto Arulampalam (Appointed 6 August 2015, resigned 24 May 2018 and re appointed as Non-Executive Director from 25 May 2018)

Kangadaran Mathivanan (Non-Executive Director, appointed 29 November 2017)

Ken Benson (Non-Executive Director, appointed 10 July 2019)

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.

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 \$661,439 for the six months ended 31 December 2018 (31 December 2017: Loss \$792,646).

Review of operations

Sri Lanka graphite project

Due to the political and economic climate in Sri Lanka, the viability of continuing with graphite mining has proved difficult to fund and the directors have developed an alternate strategy to take the Company forward. As a result, the Company has ceased the Sri Lanka graphite project during the period.

Exploration program

As explained above, the Company will not pursue any further exploration program. All exploration licences of the Company are still valid and the Company will find a suitable purchaser to divest the assets. The carrying value of these assets has been fully impaired by the end of the 2018 financial year.

Acquisition of MSY Group of companies

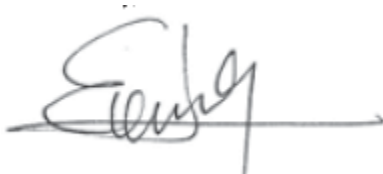
On 5 July 2019, the Company has executed a binding share purchase agreement to acquire 100% of the MSY group of companies (collectively referred to as “MSY”), subject to satisfaction of a number of conditions precedent (“MSY Acquisition”).

Due to significant delays experienced in the MSY Acquisition process, the Company has served a notice of termination on MSY on 5 February 2020, and has received MSY’s acknowledgement and agreement, to formally terminate the said share purchase agreement, effective immediately. Termination of the MSY Acquisition will enable the Company to explore other acquisition opportunities.

Auditor’s Independence Declaration

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

This 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: 12 March 2020

DECLARATION OF INDEPENDENCE BY WAI AW TO THE DIRECTORS OF LANKA GRAPHITE LIMITED

As lead auditor for the review of Lanka Graphite Limited for the half-year ended 31 December 2018, 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.



Wai Aw
Partner

BDO East Coast Partnership

Melbourne, 12 March 2020

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS & OTHER
COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

Note	Half - Year 31 Dec 2018 \$	Half - Year 31 Dec 2017 \$
Revenue	3	12
Director's fees	(16,000)	(50,891)
Occupancy expenses	(31,466)	(45,799)
Legal and professional expenses	(200,376)	(88,431)
Regulatory and listing expenses	(26,320)	(39,183)
Advertising and promotion expenses	(2,178)	(6,420)
Travel and accommodation expenses	(40,724)	(54,843)
Depreciation and amortisation expense	(8,276)	(9,345)
Insurance	(49,235)	(29,100)
Finance expense	(92,910)	(258,390)
Accounting and audit fee	(31,777)	(24,098)
Employment expenses	(157,779)	(164,771)
Other expenses	(6,195)	(29,819)
Loss before income tax	(663,233)	(801,078)
Income tax expense	-	-
Loss after income tax	(663,233)	(801,078)
Other comprehensive income	-	-
Total comprehensive income	(663,233)	(801,078)
Loss for the half-year attributable to Non-controlling Interests	(1,794)	(8,432)
Loss for the half-year attributable to members of the Company	(661,439)	(792,646)
	(663,233)	(801,078)
Earnings per share		
Basic earnings per share (cents)	6	(0.76)
Diluted earnings per share (cents)	6	(0.76)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

Notes	31 Dec 2018	30 Jun 2018
	\$	\$
CURRENT ASSETS		
Cash and cash equivalents	7,274	7,334
Trade and other receivables	1,361	-
TOTAL CURRENT ASSETS	8,635	7,334
NON-CURRENT ASSETS		
Property, plant and equipment	33,363	40,522
Exploration and development cost	7 -	-
TOTAL NON-CURRENT ASSETS	33,363	40,522
TOTAL ASSETS	41,998	47,856
CURRENT LIABILITIES		
Trade and other payables	1,854,491	1,190,768
Borrowings	8 1,320,000	1,326,348
TOTAL CURRENT LIABILITIES	3,174,491	2,517,116
TOTAL LIABILITIES	3,174,491	2,517,116
NET DEFICIENCY	(3,132,493)	(2,469,260)
EQUITY		
Issued capital	9 7,931,010	7,931,010
Accumulated losses	(11,032,965)	(10,415,526)
Reserves	10 194,615	238,615
EQUITY ATTRIBUTABLE TO OWNERS	(2,907,340)	(2,245,901)
Non-controlling interests	(225,153)	(223,359)
TOTAL EQUITY	(3,132,493)	(2,469,260)

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 2018**

	Issued Capital	Accumulated Losses	Reserves	Total Equity Attributable to Owners	Non- Controlling Interests	Total Equity
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2017	6,928,751	(6,276,598)	263,615	915,768	541,653	1,457,421
Total comprehensive income for the half-year	-	(792,646)	-	(792,646)	(8,432)	(801,078)
Transactions with owners in their capacity as owners:						
Issue of Convertible notes	-	-	211,538	211,538	-	211,538
Issue of shares net of issue cost	427,552	-	-	427,552	-	427,552
Balance at 31 December 2017	7,356,303	(7,069,244)	475,153	762,212	533,221	1,295,433
Balance at 1 July 2018	7,931,010	(10,415,526)	238,615	(2,245,901)	(223,359)	(2,469,260)
Total comprehensive income for the half-year	-	(661,439)	-	(661,439)	(1,794)	(663,233)
Transactions with owners in their capacity as owners:						
Options Expired	-	44,000	(44,000)	-	-	-
Balance at 31 December 2018	7,931,010	(11,032,965)	194,615	(2,907,340)	(225,153)	(3,132,493)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR HALF - YEAR ENDED 31 DECEMBER 2018

	Half - Year 31 Dec 2018	Half - Year 31 Dec 2017
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(579,647)	(368,310)
Interest received	3	2
Net cash outflow from operating activities	(579,644)	(368,308)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of plant and equipment	-	(1,828)
Exploration and evaluation expenditure	-	(53,512)
Net cash outflow from investing activities	-	(55,340)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	-	459,750
Repayment of convertible notes	(60,416)	-
Loans from other parties	640,000	-
Cost of raising capital	-	(32,198)
Net cash inflow from financing activities	579,584	427,552
(Decrease)/Increase in cash and cash equivalents	(60)	3,904
Cash and cash equivalents at the beginning of the half-year	7,334	80,952
Cash and cash equivalents at the end of the half-year	7,274	84,856

The accompanying notes form part of these financial statements.

Lanka Graphite Limited – Notes to the Financial Statements

1.1: Nature of Operations

Lanka Graphite Limited and Subsidiaries (the “Group” or “consolidated entity”) principal activities are mainly focused on exploring and mining high purity vein graphite in Sri Lanka of which has been ceased during the period.

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 2018 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 2018 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 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 2018.

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

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, and Victoria, Australia.

The consolidated interim financial statements for the six months ended 31 December 2018 were approved and authorised for issue by the Board of Directors on 12 March 2020.

NOTE 3: GOING CONCERN

Going concern

For the half-year ended 31 December 2018 the consolidated entity made a loss of \$663,233 and had net cash out flows from operating activities of \$579,644. As at 31 December 2018 the consolidated entity had net current liability and net liability positions of \$3,165,856 and \$3,132,493 respectively. In addition the consolidated entity has no ongoing source of operating income and is dependent upon the future successful raising of necessary funding through debt or equity and the successful completion of the acquisition of Oculus Biomed Pty Ltd (“OBM”) (“Proposed Transaction”) as announced to the ASX on 18 Feb 2020 (refer details in Note 13 Events Subsequent to Balance Date). The Company and its directors are committed to the Proposed Transaction and associated transactions, however its completion and the success of future funding are subject to factors beyond the control of the Company and its directors. The existence of these conditions indicates a material uncertainty that may cast significant doubt on the consolidated entity’s ability to continue as a going concern.

Notwithstanding the above the directors have prepared the financial statements on a going concern basis, which contemplates the continuity of normal business activity, the realisation of assets and the settlement of liabilities through the normal course of business for the following reasons:

Lanka Graphite Limited – Notes to the Financial Statements

- Completion of the Proposed Transaction includes the conversion of the following debts to newly issued shares in the Company:
 - The Miniran deferred consideration of \$0.66m
 - The convertible notes of \$1.32m and interest accrued of \$0.15m
 - The MSY loan of \$0.64m owing at balance date. As at 31 January 2020, the balance owing was \$1.12m

These conversions are expected to complete in July 2020;

- Completion of the Proposed Transaction also includes the following:
 - A capital raising through an initial placement of \$0.33m expected in late March 2020
 - A further capital raising of \$3.00m to \$3.60m through a General Offer expected in July 2020
- At balance date, the consolidated entity had accounts payable of \$1,854,491. Excluding amounts owed at 31 December 2018 to Miniran for deferred consideration of \$0.66m and MSY loan of \$0.64m, the remaining accounts payable balance at 31 December 2018 is approximately \$0.55m. The consolidated entity has not received any demand for immediate repayment from other existing creditors for amounts owing at balance date or creditors incurred up to the date of this report. At the end of January 2020, amounts owed to creditors excluding Miniran deferred consideration and MSY loan is approximately \$0.37m.
- The consolidated entity has prepared a twelve month cash flow budget which includes discretionary cash outflows that can be deferred in part if there are delays in raising capital or insufficient capital is raised to fund budgeted expenditures; and
- The consolidated entity has a history of successfully raising funds through either debt or equity.

Should the consolidated entity be 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 statements. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount of liabilities that might be necessarily incurred should the consolidated entity be unable to continue as a going concern and meet its debts as and when they become due and payable.

NOTE 4: SEGMENT INFORMATION

During the period the Group has ceased operations in Sri Lanka where its graphite tenements are located. As a result, no segment information is applicable.

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: EARNINGS PER SHARE

	31 Dec 2018	31 Dec 2017
Earnings used to calculate basic EPS	(663,233)	(801,078)
Weighted average no. of ordinary shares	86,848,418	86,848,418
Basic loss per share (cents)	(0.76)	(0.92)
Weighted average shares & options outstanding	86,848,418	86,848,418
Diluted loss per share (cents)	(0.76)	(0.92)

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

NOTE 7: EXPLORATION AND DEVELOPMENT COST

	31 Dec 2018 \$	30 June 2018 \$
Exploration and development cost	-	-
	31 Dec 2018 \$	30 June 2018 \$
Balance at the beginning of the period	-	3,570,559
Exploration Expenditure incurred during the period	-	91,513
Impairment of Exploration Expenditure	-	(3,662,072)
Balance at the end of the period	-	-

NOTE 8: BORROWINGS

	31 Dec 2018 \$	30 June 2018 \$
Convertible notes	1,265,000	1,216,348
Unsecured notes	55,000	110,000
Total	1,320,000	1,326,348

NOTE 9: ISSUED CAPITAL

	31 Dec 2018		30 June 2018	
	\$	No.	\$	No.
Fully Paid ordinary shares	7,931,010	108,421,313	7,931,010	108,421,313

	31 Dec 2018		30 June 2018	
	\$	No.	\$	No.
Balance at the beginning of the period	7,931,010	108,421,313	6,928,751	81,740,085
Issue of shares	-	-	833,732	21,756,576
Issue of convertible notes shares	-	-	201,907	4,924,652
Capital raising costs	-	-	(33,380)	-
Balance at the end of the period	7,931,010	108,421,313	7,931,010	108,421,313

NOTE 10: RESERVES

	Share Option Reserve	Convertible Notes Reserve	Total
Balance at 1 July 2018	44,000	194,615	238,615
Options expired	(44,000)	-	(44,000)
Balance at 31 December 2018	-	194,615	194,615

NOTE 11: OPTIONS

All the options granted to Directors and key management personnel have been expired and no one has exercised their options.

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

Acquisition of MSY Group of companies

Subsequent to the balance date, on the 5th July 2019, the Company has executed a binding share purchase agreement to acquire 100% of the MSY group of companies (collectively referred to as “MSY”), subject to satisfaction of a number of conditions precedent (“MSY Acquisition”).

Due to significant delays experienced in the MSY Acquisition process, the Company has served a notice of termination on MSY on 5 February 2020, and has received MSY’s acknowledgement and agreement, to formally terminate the said share purchase agreement, effective immediately. Termination of MSY Acquisition will enable the Company to explore other acquisition opportunities.

Non-Binding Heads of Agreement with Oculus Biomed Pty Ltd

While the Company was working co-operatively with MSY with a view to further progress the MSY Acquisition, the Company had been receiving approaches regarding other potential acquisition opportunities.

Detailed discussions regarding a preferred opportunity in the biopharmaceutical industry were held in January 2020.

On 18 February 2020, the Company announced that it has entered into a non-binding Heads of Agreement (“HOA”) to acquire 100% of the issued share capital of Oculus Biomed Pty Ltd (“OBM”) for a total consideration of up to \$12 million, comprising of:

- 368,000,000 ordinary shares in the Company at a deemed issue price of \$0.025 per share, to be issued to OBM shareholders upon completion of the acquisition; and
- 112,000,000 ordinary shares in the Company at a deemed issue price of \$0.025 per share, to be issued to OBM shareholders subject to and upon certain performance milestones being achieved after completion of the said acquisition (“Proposed OBM Acquisition”).

OBM is an Australian unlisted biopharmaceutical company, which focuses principally on research, development and commercialisation of new drugs and medical devices, designed to treat eye-related diseases.

Lanka Graphite Limited – Notes to the Financial Statements

OBM currently holds an exclusive global right, granted by a leading major medical hospital in Taiwan, to develop from preclinical stage to clinical stage, and commercialise, patented technology and know-hows associated with treatment on the angiogenesis-related eye disease (including wet Age-Related Macular Degeneration; wet AMD) and the inflammation-related eye disease (including Dry Eye Disease; DED).

OBM further holds an exclusive right in Australia and New Zealand and a right of first refusal to participate in the business activity in People's Republic of China, Hong Kong SAR and Macau SAR to develop and commercialise a clinical stage “Artificial Cornea” technology which is owned by a leading tissue engineering biomedical company in Taiwan, namely ACRO Biomedical Co., Ltd.

OBM aims to make further advance of these technologies with a view to receiving regulatory approval for clinical trials initially and product marketing and commercialisation.

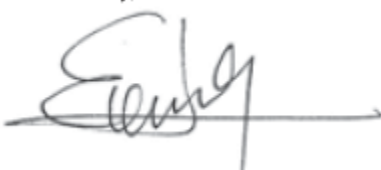
Lanka Graphite Limited – Directors’ Declaration

DIRECTORS' DECLARATION

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 5 to 13, are in accordance with the *Corporations Act 2001* and:
 - a. comply with Accounting Standard, AASB 134 ‘Interim Financial Reporting’ , the *Corporations 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 2018 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

12 March 2020

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Lanka Graphite Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Lanka Graphite Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2018, 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 then ended, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

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 the Group is not in accordance with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2018 and of its financial 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 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

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 Group's financial position as at 31 December 2018 and its financial 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 the Group, 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 Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

BDO East Coast Partnership

BDO
A handwritten signature in black ink, appearing to read 'Wai Aw', written over the printed name.

Wai Aw
Partner

Melbourne, 12 March 2020