GRAPHITECORP LIMITED
ABN 54 157 690 830

INTERIM REPORT – 31 DECEMBER 2016

GRAPHITECORP
Purified Australian Graphite

DIRECTORS' REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

Your directors present their report on Graphitecorp Limited (referred to hereafter as the 'consolidated entity') for the half-year ended 31 December 2016.

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

Greg Baynton
Anthony Bellas
Philip St Baker
Robert Cooper (Appointed 31 October 2016)
Dean Price - Alternate for Robert Cooper (Appointed 31 October 2016)

PRINCIPAL ACTIVITIES
During the financial half-year, the principal continuing activities of the consolidated entity were the investigation of market requirements, graphite purification options and the development of commercial opportunities for a high grade flake graphite deposit located in Queensland.

REVIEW OF OPERATIONS
The loss for the consolidated entity after providing for income tax amounted to $2,195,271 (2015: $920,515).

Ownership

During the half year, Graphitecorp and its project partner, Washington H. Soul Pattinson and Company Limited (WHSP, ASX: SOL), merged WHSP's interest in the Mount Dromedary Graphite Project into Graphitecorp in return for equity in Graphitecorp. This, combined with a further investment of $300,000 at $0.60 per share via private placement, resulted in WHSP emerging with an 18.73% shareholding in Graphitecorp and the simplification of the ownership structure for the Project.

Graphitecorp appointed Mr Robert Cooper (as representative for WHSP) to the Board and appointed Pitt Capital Partners (PCP, subsidiary of WHSP) as financial advisor for certain potential control transactions. Mr Dean Price, Executive Director of PCP, was appointed alternate director for Mr Cooper. These ownership, board and advisory changes have strengthened the Board's collective experience in project development and financing, capital markets, mining and mineral processing, and added further specific knowledge and experience in the Mount Isa and Cloncurry mining district.

Thermal Purification and Lithium-Ion Battery Testwork

During the half year, Graphitecorp completed thermal purification and initial lithium-ion battery (LIB) physical and electrochemical suitability tests on concentrate produced from Mount Dromedary deposit to advance our understanding of the potential suitability of our concentrate for the battery market.

Thermal purification tests confirmed that the Mount Dromedary graphite concentrate can be purified to 99.999%.

Lithium-ion battery coin cells were manufactured using both the base concentrate (without any thermal or chemical purification) and with the thermally purified concentrate.

Physical examination of the powders and electrochemical tests on the LIB cells were performed and the results showed that the materials have good purity, good electrochemistry with high reversible capacity and, most importantly, appear to be well suited for LIB applications, including high end automotive applications.

Thermal purification, battery cell construction and electrochemical testing was performed during the half year by independent expert companies based in the USA.

DIRECTORS' REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016 (continued)

MOUNT DROMEDARY PROJECT UPDATE

Application for Mining Lease and Environmental Authority

During the half year, Graphitecorp submitted an application for a mining lease with the Queensland Department of Natural Resources and Mines for the Mount Dromedary Graphite Project. Contemporaneously, the company has submitted its application for an environmental authority for the project with the Queensland Department of Environment and Heritage Protection.

The applications incorporate a mining and milling operation for the Mount Dromedary Graphite Project with production of up to 50,000tpa of graphite concentrate. The area of the mining lease is approximately 1,132 ha and has been selected to capture the Company's graphite resource and allow for appropriate infrastructure.

In January, the Queensland Department of Environment and Heritage Protection advised that our application for environmental authority has met all legislative requirements under Chapter 5, Division 3 of the EP Act and as such the application has moved to the information stage where the department can seek further information needed to assess the application.

Water sampling and testing continues to be undertaken on a periodic basis from dedicated ground water monitoring bores that have been installed around the proposed mining area to generate a baseline for water quality ahead of any mining operations commencing.

Work has also commenced on native title, cultural heritage and landholder agreements which are integral with the process of approval for mining lease and environmental authority.

Commencement of small scale pilot plant test program

During the half year, Graphitecorp commenced a small-scale pilot plant test program designed to further improve the metallurgical and process knowledge and process plant design. A wide range of milling, flotation, reagent, equipment and product types will be tested and compared to determine what will produce the best results with our specific ore. This program is taking place overseas at a location where extensive natural graphite processing experience and expertise exists. The program will involve the processing of approximately 7 ton of graphite ore and is expected to be completed at the end of February 2017.

SUBSEQUENT EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

Since 31 December 2016, Graphitecorp has executed transactions with two North American groups, Coulometrics and the founding shareholders of NOVONIX, transforming the business into a supplier of advanced battery materials, equipment and services to the global LIB market (Downstream Business).

Graphitecorp has established an exclusive joint venture with Coulometrics, called **PUREgraphite**, which is targeting commercial production by the end of 2017 of ultra-high purity anode materials for Lithium Ion Batteries that is expected to outperform and be produced at lower cost than current suppliers to the electric vehicles market (based on similar quality / performance standards). Graphitecorp has paid a deposit of USD$200,000 in respect of this transaction.

NOVONIX sells high precision battery testing equipment and services to customers including CATL, Apple, 3M, Panasonic, Bosch and Dyson, as well as US and Global EV and battery manufacturers. Graphitecorp has paid a deposit of USD$50,000 to each of the two NOVONIX Founding Shareholders.

A General Meeting of Shareholders ("General Meeting") will be held on 5 April 2017 to approve the share and options placements contemplated in the transactions. A Notice of General Meeting was dispatched to Shareholders on 9 March 2017.

A summary of the transactions in respect of PUREgraphite and NOVONIX is set out below:

DIRECTORS' REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016 (continued)

PUREgraphite

- Graphitecorp and Coulometrics have agreed to enter into an incorporated joint venture (50/50) to develop and commercialise high purity battery grade graphite for the electric vehicle and other energy storage markets.
- Graphitecorp will contribute USD $5 million to PUREgraphite, which will acquire the graphite related intellectual property from Coulometrics.
- Graphitecorp will contribute a further USD $5 million (over 12 months) to cover anticipated capital and operating costs (including the purchase of a production spheronizing system).
- Graphitecorp has paid a deposit of USD$200,000 in respect of this transaction.
- Coulometrics will contribute various plant and equipment and services.
- Graphitecorp has the right to exploit excess capacity to the production of graphite anode material greater than 1,000 tonnes per annum (at its cost).
- PUREgraphite will be the exclusive vehicle through which Coulometrics (or its founder) conducts research and development and commercialisation of graphite for use in battery and energy storage and any services in the area of graphite materials.
- Graphitecorp also has a call option to acquire half of Coulometrics' interest in PUREgraphite (25% of PUREgraphite) for USD $5 million (exercisable within two years).
- The completion of this acquisition is subject to shareholder approval of the Convertible Loan Notes used as funding for this acquisition (refer to the Convertible Loan Note Issue).

NOVONIX

- Graphitecorp has agreed to acquire a two-thirds interest in NOVONIX from the two founding shareholders of NOVONIX (NOVONIX Founders), for a sale price of CAD $3,333,332.
- The NOVONIX Founders have elected to take part of that consideration in Shares. If the acquisition of two-thirds of NOVONIX proceeds, Graphitecorp will issue 3,357,560 Shares (subject to shareholder approval) to the NOVONIX Founders, together with cash payments totalling CAD $2,000,000.
- The purchase is subject to a number of conditions precedent, including compliance with the NOVONIX shareholders' agreement. In particular, the agreement includes customary shareholder protections, such as pre-emptive rights, drag-along rights and tag-along rights. The other shareholder of NOVONIX, a lithium-ion car battery and grid-scale battery manufacturer, has pre-emptive rights in relation to the sale, in addition to tag-along rights.

EMPLOYMENT OF KEY EXECUTIVES IN THE DOWNSTREAM BUSINESS

Graphitecorp will issue a maximum of 1,000,000 Shares in Graphitecorp and 6,000,000 options over unissued Shares (subject to Shareholder approval) to Key Executives in the Downstream Business in order to retain and motivate key individuals.

CONVERTIBLE LOAN NOTE ISSUE

To fund these acquisitions, Graphitecorp has completed a $15.5 million Convertible Loan Note issue to institutional and sophisticated investors to provide funding for the two transactions, capital raising costs, and working capital.

On 16 March 2017, 12,668,365 Loan Notes were issued at an issue price of $0.60 per Loan Note for a total of $7.6 million. A further 166,664 Loan Notes, for a total of $0.1 million, will be issued on receipt of application monies.

Subject to shareholder approval a further 12,998,305 Loan Notes will be issued on the same terms to raise $7.8 million.

On 9 March 2017, a notice was released for the Extraordinary General Meeting to be held on 7 April 2017 that will consider the approval of these Convertible Loan Notes and various matters related to the NOVONIX acquisition and employment of key persons.

Key Loan Note Terms

- Unsecured loan note issued at AUD $0.60 per note;
- Coupon 10% per annum capitalised over a term of 13 months;
- Convertible at the option of the holder on 1 for 1 basis;
- Redeemable by Graphitecorp at any time (with 10 business days notice), subject to payment of interest on full term; and
- The notes are not listed or tradeable.

Key Dates

• Tranche 1 settlement ($7.7 million)	16 March 2017
• Shareholder meeting (indicative)	7 April 2017
• Tranche 2 settlement ($7.8 million)	10 April 2017

No other matters or circumstances has arisen since 31 December 2016 that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in future financial years.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

On 29 August 2016, the Company entered into a Development Rights Agreement and a Placement Agreement with Exco Resources Limited, a wholly-owned subsidiary of Washington H. Soul Pattinson and Company Limited (WHSP).

Under the Development Rights Agreement, in consideration for 15,528,818 fully paid ordinary shares, WHSP has transferred the rights it had as a 20% project participant in the Mount Dromedary Graphite Project to Graphitecorp and agreed to extinguish the metal rights that it held over the area of the proposed mining lease for the Mount Dromedary Graphite Project.

WHSP has agreed that the Graphitecorp shares issued to it as part of the JV Simplification Transaction, will be subject to voluntary escrow until 3 December 2017. The escrow arrangement is subject to customary carve-outs in the event that a takeover bid or other control transaction is made for Graphitecorp.

DIRECTORS' REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016 (continued)

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

AUDITOR'S INDEPENDENCE DECLARATION

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

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

Philip St Baker
Managing Director

16 March 2017
Brisbane

AUDITOR'S INDEPENDENCE DECLARATION

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

As lead auditor for the review of GraphiteCorp Limited for the half-year ended 31 December 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 review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

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

C R Jenkins
Director

BDO Audit Pty Ltd

Brisbane, 16 March 2017

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General information

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

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

Registered office

c/- McCullough Robertson
Central Plaza Two
Level 11, 66 Eagle Street
Brisbane QLD 4000

Principal place of business

Level 12, 144 Edward Street
Brisbane QLD 4000

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 16 March 2017.

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

	Note	Consolidated Half-year 2016 $	2015 $
Revenue		14,263	2,633
Expenses			
Administrative and other expenses		230,809	113,839
Marketing and project development costs		197,412	59,943
Share based compensation	3	1,781,313	596,018
Listing costs	7(g)	-	153,348
Loss before income tax expense		(2,195,271)	(920,515)
Income tax benefit		-	-
Loss after income tax for the half-year		(2,195,271)	(920,515)
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive income for the half-year		**(2,195,271)**	**(920,515)**

	Note	Cents	Cents
Basic earnings (loss) per share	8	(2.91)	(1.77)
Diluted earnings (loss) per share	8	(2.91)	(1.77)

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

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Note	Consolidated 31 December 2016 $	30 June 2016 $
ASSETS			
Current assets			
Cash and cash equivalents	4	685,228	1,665,754
Trade and other receivables		108,736	38,756
Total current assets		793,964	1,704,510
Non-current assets			
Plant and equipment		14,975	16,962
Exploration and evaluation assets	5	12,587,165	1,203,280
Other assets		5,000	-
Total non-current assets		12,607,140	1,220,242
Total assets		13,401,104	2,924,752
LIABILITIES			
Current liabilities			
Payables	6	242,640	211,927
Total current liabilities		242,640	211,927
Total liabilities		242,640	211,927
Net assets		13,158,464	2,712,825
EQUITY			
Contributed equity	7	14,808,580	3,948,983
Reserves	3	1,792,890	11,577
Accumulated losses		(3,443,006)	(1,247,735)
Total equity		13,158,464	2,712,825

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

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

Consolidated Group	Contributed equity $	Accumulated losses $	Reserves $	Total $
Balance at 1 July 2015	10	(3,938)	-	(3,928)
Loss for the half-year	-	(920,515)	-	(920,515)
Other comprehensive income	-	-	-	-
Total comprehensive income	-	(920,515)	-	(920,515)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs	3,948,973	-	-	3,948,973
Share-based payments	-	-	638	638
Balance at 31 December 2015	3,948,983	(924,453)	638	3,025,168
Balance at 1 July 2016	3,948,983	(1,247,735)	11,577	2,712,825
Loss for the half-year	-	(2,195,271)	-	(2,195,271)
Other comprehensive income	-	-	-	-
Total comprehensive income	-	(2,195,271)	-	(2,195,271)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs	300,000	-	-	300,000
Shares issued for JV simplification transaction (refer Note 10)	10,559,597	-	-	10,559,597
Share-based payments	-	-	1,781,313	1,781,313
Balance at 31 December 2016	14,808,580	(3,443,006)	1,792,890	13,158,464

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

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

	Consolidated Half-year	
	2016	**2015**
	$	**$**
Cash flows from operating activities		
Receipts from customers (GST inclusive)	84,991	16,316
Payments to suppliers and employees (GST inclusive)	(540,298)	(362,234)
Interest received	4,263	1,468
Net cash outflow from operating activities	(451,044)	(344,450)
Cash flows from investing activities		
Payments for exploration assets	(787,265)	(575,144)
Payments for property, plant and equipment	(37,217)	(19,867)
Payment of security deposits	(5,000)	(1,000)
Net cash outflow from investing activities	(829,482)	(596,011)
Cash flows from financing activities		
Proceeds on issue of shares	300,000	3,421,862
Payment of capital raising costs	-	(116,927)
Proceeds from Director loans	-	59,749
Repayment of Director loans	-	(60,013)
Net cash inflow from financing activities	300,000	3,304,671
Net increase (decrease) in cash and cash equivalents	(980,526)	2,364,210
Cash and cash equivalents at the beginning of the half-year	1,665,754	10
Cash and cash equivalents at the end of the half-year	685,228	2,364,220

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

Note 1 Summary of significant accounting policies

These general purpose interim financial statements for the interim half-year reporting period ended 31 December 2016 have been prepared in accordance with Australian Accounting Standard 134 *Interim Financial Reporting* and the *Corporations Act 2001,* as appropriate for for-profit oriented entities.

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

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

New, revised or amending Accounting Standards and Interpretations adopted

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

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

Historical cost convention

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

Critical accounting estimates

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

Exploration and evaluation costs

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

Going Concern

The financial report has been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the normal course of business.

As disclosed in the financial report, the consolidated entity achieved a net loss of $2,195,271 (31 December 2015: $920,515) and net operating cash outflows of $451,044 for the half year ended 31 December 2016 (31 December 2015: $344,450). As at 31 December 2016 the consolidated entity has cash of $685,228 (30 June 2016: $1,665,754).

In addition to the above, the consolidated entity has entered into a number of transactions subsequent to balance date (as detailed in Note 9) that require significant cashflows.

The ability of the consolidated entity to continue as a going concern is principally dependent upon one or more of the following:

- the ability of the consolidated entity to meet its cashflow forecasts;
- the ability of the company to raise capital as and when necessary; and
- the successful exploration and subsequent exploitation of the consolidated entity's tenements.

These conditions give rise to material uncertainty which may cast significant doubt over the consolidated entity's ability to continue as a going concern.

The directors believe that the going concern basis of preparation is appropriate due to the following reasons:

- the consolidated entity has a proven history of successfully raising funds including its initial public offering and a placement in the current period that raised $300,000 at $0.60 per share;
- the consolidated entity has successfully raised $7,601,019 by issuing 12,668,365 convertible loan notes to sophisticated and professional investors on 16 March 2017;
- the consolidated entity has obtained further commitments for $7.8 million of Convertible Loan Notes subsequent to balance date and has issued a notice for an extraordinary general meeting to allow shareholders to consider approval of this transaction; and
- The directors believe there is sufficient cash available for the consolidated entity held at balance date and raised subsequent to balance date, to continue operating until it can raise sufficient further capital to fund its ongoing activities.

Should the consolidated entity be unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial report.

This financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts or classification of liabilities and appropriate disclosures that may be necessary should the consolidated entity be unable to continue as a going concern.

Note 2 Segment information

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

Note 3 Expenses

	Half-year	
	2016 $	2015 $
Loss before income tax includes the following specific expenses:		
Expenses		
IPO bonus shares issued for no consideration (i)	-	595,380
Performance rights granted (ii)	957	638
Options granted (iii)	1,780,356	-
Share-based compensation expense	1,781,313	596,018

(i) During the 2015 half-year period Mr St Baker was issued 2,976,903 fully paid ordinary shares in the company, representing 5% of the enlarged capital of Graphitecorp Limited prior to any issue under the prospectus, in accordance with his employment contract.

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

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

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

(iii) On 22 June 2016, 7,000,000 share options were granted to Mr St Baker. These options were subject to shareholder approval which was obtained on 21 October 2016. The terms of the options are set out in the table following.

Note 3 Expenses (continued)

	Tranche 1	Tranche 2	Tranche 3
Number of Options	2,000,000 Options.	3,000,000 Options.	2,000,000 Options.
Exercise Price	$0.30 per Graphitecorp share.	$0.30 per Graphitecorp share.	$0.30 per Graphitecorp share.
Vesting Date	Vested at 31 December 2017.	Any time on or before the Tranche 2 Expiry Date provided the Tranche 2 Vesting Price Trigger has been satisfied.	Any time on or before the Tranche 3 Expiry Date provided the Tranche 3 Vesting Price Trigger has been satisfied.
Vesting Price Trigger	The Vesting Price Trigger will be satisfied if the volume weighted average price (**VWAP**) of GRA shares traded on the ASX over any ten consecutive trading day period meets or exceeds **$0.50** per GRA share any time on or before the Tranche 1 Expiry Date.	The Vesting Price Trigger will be satisfied if the VWAP of GRA shares traded on the ASX over any ten consecutive trading day period meets or exceeds **$0.90** per GRA share any time on or before the Tranche 2 Expiry Date.	The Vesting Price Trigger will be satisfied if the VWAP of GRA shares traded on the ASX over any ten consecutive trading day period meets or exceeds **$1.20** per GRA share any time on or before the Tranche 3 Expiry Date.
Expiry Date	31 December 2017	30 June 2019	30 June 2019
Value per option	$0.41	$0.49	$0.47

Options are granted for no consideration and carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share.

Fair value of options granted
The fair value at grant date is independently determined using the Monte Carlo simulation that takes into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield, the risk free interest rate for the term of the option and the correlations and volatilities of the peer group companies.

Note 4 Current assets – cash and cash equivalents

	31 December 2016 $	30 June 2016 $
Cash at bank	685,218	1,665,744
Cash on hand	10	10
	685,228	1,665,754

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

Note 5 Non-current assets – exploration and evaluation assets

	31 December 2016 $	30 June 2016 $
Exploration and evaluation assets – at cost	12,587,165	1,203,280
The capitalised exploration and evaluation assets carried forward above have been determined as follows:		
Balance at the beginning of the year	1,203,280	100,749
Expenditure incurred during the half-year	808,908	1,138,531
JV simplification transaction (refer Note 10)	10,574,977	-
Government grant funds received	-	(36,000)
Balance at the end of the half-year	12,587,165	1,203,280

The Directors have assessed that for the exploration and evaluation assets recognised at 31 December 2016, the facts and circumstances do not suggest that the carrying amount of an asset may exceed its recoverable amount. In considering this, the Directors have had regard to the facts and circumstances that indicate a need for an impairment as noted in Accounting Standard AASB *6 Exploration for and Evaluation of Mineral Resources*.

Note 6 Current liabilities – trade and other payables

	31 December 2016 $	30 June 2016 $
Unsecured liabilities:		
Trade payables	189,359	45,237
Other payables	53,281	166,690
	242,640	211,927

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

Note 7 Equity securities issued

	2016 Shares	2015 Shares	2016 $	2015 $
(a) Share capital				
Ordinary shares				
Fully paid	85,566,865	69,538,047	14,808,580	3,900,315

(b) Movements in ordinary share capital:

Date	Details	Note	Number of Shares	Issue Price	$
1 July 2014	Balance		1,000		10
August 2015	Share split	(c)	17,418,355		-
August 2015	Issue to sophisticated investors	(d)	4,803,382	$0.0775	372,262
October 2015	Issue to sophisticated investors	(e)	2,915,549	$0.36	1,049,598
November 2015	Share split	(f)	31,422,858		-
November 2015	Shares issued under prospectus	(g)	10,000,000	$0.20	2,000,000
November 2015	Shares issued to Director	(h)	2,976,903	$0.20	595,380
October 2016	Placement shares issued	(i)	500,000	$0.60	300,000
October 2016	JV simplification transaction	(i)	15,528,818	$0.68	10,559,597
	Share issue costs		-		(68,267)
31 December 2016	Balance		85,566,865		14,808,580

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

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

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

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

(g) Shares issued under prospectus

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

(h) Shares issued to Director

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

(i) Project simplification transaction
Refer Note 10.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

Note 8 Earnings per share

	Consolidated	
	2016	2015
	$	$
Earnings per share for loss from continuing operations		
Loss after income tax attributable to the owners of Graphitecorp Limited	(2,195,271)	(920,515)

	Number	Number
Weighted average number of shares used in calculating basic and diluted earnings per share	75,548,854	52,147,806

	Cents	Cents
Basic earnings per share	(2.91)	(1.77)
Diluted earnings per share	(2.91)	(1.77)

Note 9 Events occurring after the balance sheet date

Since 31 December 2016, Graphitecorp has executed transactions with two North American groups, Coulometrics and the founding shareholders of NOVONIX, transforming the business into a supplier of advanced battery materials, equipment and services to the global LIB market.

Graphitecorp has established an exclusive joint venture with Coulometrics, called **PUREgraphite**, which is targeting commercial production by the end of 2017 of ultra-high purity anode materials for Lithium Ion Batteries that is expected to outperform and be produced at lower cost than current suppliers to the electric vehicles market. Graphitecorp has paid a deposit of USD$200,000 in respect of this transaction.

NOVONIX sells high precision battery testing equipment and services to customers including CATL, Apple, 3M, Panasonic, Bosch and Dyson, as well as US and Global EV and battery manufacturers. Graphitecorp has paid a deposit of USD$50,000 to each of the NOVONIX Founding Shareholders.

A General Meeting of Shareholders ("General Meeting") will be held on 5 April 2017 to approve the share and options placements contemplated in the transactions. A Notice of General Meeting was dispatched to Shareholders on 9 March 2017.

A summary of the transactions in respect of PUREgraphite and NOVONIX is set out in the following:

Note 9 Events occurring after the balance sheet date (continued)

PUREgraphite

- Graphitecorp and Coulometrics propose to enter into an incorporated joint venture (50/50) to develop and commercialise high purity battery grade graphite for the electric vehicle and other energy storage markets.
- Graphitecorp will contribute USD$5 million to PUREgraphite, which will acquire the graphite related intellectual property from Coulometrics.
- Graphitecorp will contribute a further USD$5 million (over 12 months) to cover anticipated capital and operating costs (including the purchase of a production spheronizing system).
- Graphitecorp has paid a deposit of USD$200,000 in respect of this transaction.
- Coulometrics will contribute various plant and equipment and services.
- Graphitecorp has the right to exploit excess capacity to the production of graphite anode material greater than 1,000 tonnes per annum (at its cost).
- PUREgraphite will be the exclusive vehicle through which Coulometrics (or its founder) conducts research and development and commercialisation of graphite for use in battery and energy storage and any services in the area of graphite materials.
- Graphitecorp has a call option to acquire half of Coulometrics' interest in PUREgraphite (25% of PUREgraphite) for USD$5 million (exercisable within two years).
- The completion of this acquisition is subject to shareholder approval of the Convertible Loan Notes used as funding for this acquisition (refer to the Convertible Loan Note Issue).

NOVONIX

- Graphitecorp has agreed to acquire a two-third interest in NOVONIX from the two founding shareholders of NOVONIX (NOVONIX Founders), for a sale price of CAD$3,333,332.
- The NOVONIX Founders have elected to take part of that consideration in Shares. If the acquisition of two-thirds of NOVONIX proceeds, Graphitecorp will issue 3,357,560 Shares (subject to Shareholder approval) to the NOVONIX Founders, together with cash payments totalling CAD$2,000,000.
- The purchase is subject to a number of conditions precedent, including compliance with the NOVONIX shareholders' agreement. In particular, the agreement includes customary shareholder protections, such as pre-emptive rights, drag-along rights and tag-along rights. The other shareholder of NOVONIX, a lithium-ion car battery manufacturer, has pre-emptive rights in relation to the sale, in addition to tag-along rights.

EMPLOYMENT OF KEY EXECUTIVES IN THE DOWNSTREAM BUSINESS

Graphitecorp will issue a maximum of 1,000,000 Shares in Graphitecorp and 6,000,000 options over unissued Shares (subject to Shareholder approval) to Key Executives in the Downstream Business in order to retain and motivate key individuals.

Note 9 Events occurring after the balance sheet date (continued)

CONVERTIBLE LOAN NOTE ISSUE

To fund these acquisitions, Graphitecorp has completed a $15.5 million Convertible Loan Note issue to institutional and sophisticated investors to provide funding for the two transactions, capital raising costs, and working capital.

On 16 March 2017, 12,668,365 Loan Notes were issued at an issue price of $0.60 per Loan Note for a total of $7.6 million. A further 166,664 Loan Notes, for a total of $0.1 million, will be issued on receipt of application monies.

Subject to shareholder approval a further 12,998,305 Loan Notes will be issued on the same terms to raise $7.8 million.

On 9 March 2017, a notice was released for the Extraordinary General Meeting to be held on 7 April 2017 that will consider the approval of these Convertible Loan Notes and various matters related to the NOVONIX acquisition and employment of key persons.

Key Loan Note Terms

- Unsecured loan note issued at AUD$0.60 per note;
- Coupon 10% per annum capitalised over a term of 13 months;
- Convertible at the option of the holder on 1 for 1 basis;
- Redeemable by Graphitecorp at any time (with 10 business days notice), subject to payment of interest on full term; and
- The notes are not listed or tradeable.

Key Dates

• Tranche 1 settlement ($7.7 million)	16 March 2017
• Shareholder meeting (indicative)	7 April 2017
• Tranche 2 settlement ($7.8 million)	10 April 2017

No other matters or circumstances has arisen since 31 December 2016 that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in future financial years.

Note 10 Project Simplification Transaction

On 29 August 2016, the Company entered into a Development Rights Agreement and a Placement Agreement with Exco Resources Limited, a wholly-owned subsidiary of Washington H. Soul Pattinson and Company Limited (WHSP).

Under the Development Rights Agreement, in consideration for 15,528,818 fully paid ordinary shares, WHSP has transferred the rights it had as a 20% project participant in the Mount Dromedary Graphite Project to Graphitecorp and agreed to extinguish the metal rights that it held over the area of the proposed mining lease for the Mount Dromedary Graphite Project.

WHSP has agreed that the Graphitecorp shares issued to it as part of the Project Simplification Transaction, will be subject to voluntary escrow until 3 December 2017. The escrow arrangement is subject to customary carve-outs in the event that a takeover bid or other control transaction is made for Graphitecorp.

Under the Placement Agreement, WHSP subscribed for 500,000 fully paid ordinary shares in Graphitecorp at $0.60 per share. Settlement of the Placement Agreement and the Development Rights Agreement occurred contemporaneously.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

DIRECTORS' DECLARATION

In the directors' opinion:

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

- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the financial half-year ended on that date; and

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

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

On behalf of the directors

Philip St Baker
Managing Director

16 March 2017
Brisbane

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of GraphiteCorp Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of GraphiteCorp Limited, which comprises the statement of financial position as at 31 December 2016, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

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

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

Independence

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

Conclusion

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

(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*.

Material uncertainty relating to going concern

We draw attention to Note 1 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 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 Audit Pty Ltd

BDO

C R Jenkins
Director

Brisbane, 16 March 2017