



Graphene Manufacturing Group

GRAPHENE MANUFACTURING GROUP LTD

Management's Discussion and Analysis

For the three month and nine month periods ended

March 31, 2021

(in Australian dollars)

(Unless specified otherwise, all amounts are expressed in Australian dollars)

This interim Management's discussion and analysis ("MD&A") relates to Graphene Manufacturing Group Ltd's ("GMG" or the "Company") operations, performance and financial position for the three and nine month periods ended March 31, 2021 and March 31, 2020. This MD&A should be read in conjunction with the unaudited consolidated financial statements for the three and nine month periods ended March 31, 2021 and March 31, 2020 and with the audited consolidated financial statements for the year ended June 30, 2020 and June 30, 2019 and related notes. The purpose of this document is to provide information on GMG's activities. The information contained herein is dated as of May 7, 2021. You will find more information about us on GMG's website at www.grapehenemg.com and on SEDAR at www.sedar.com, including all press releases.

The period from January 1, 2021 to March 31, 2021 has been referred to as Q3FY21 and the period from January 1, 2020 to March 31, 2020 has been referred to as Q3FY20. The period from July 1, 2020 to March 31, 2021 has been referred to as 9MFY21 and the period from July 1, 2019 to March 31, 2020 has been referred to as 9MFY20. The financial year ended 30 June 2020 has been referred to as FY20 and the financial year ended 30 June 2019 has been referred to as FY19.

The financial statements of GMG and extracts of those financial statements provided in this MD&A have been prepared in accordance with International Financial Reporting Standards ("IFRS"). References to the symbol AUD or \$ or A\$ means the Australian dollar, the official currency of Australia. References to the symbol CAD or C\$ mean the Canadian dollar. Except as otherwise set out herein, all amounts expressed herein are in Australian dollars, the functional currency of the Company. As a result of the rounding of dollar differences, certain total dollar amounts in this MD&A may not add exactly to their constituent amounts. Throughout this MD&A, percentage changes are calculated using numbers rounded as they appear. Readers are cautioned that this MD&A contains certain forward-looking information. Please see the "Forward Looking Statements" section which follows.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This MD&A contains "forward looking statements" that reflect the Company's expectations and projections about its future results. When used in this MD&A, forward looking statements can be identified by the use of words such as "may", or by such words as "will", "intend", "believe", "estimate", "consider", "expect", "anticipate", and "objective" and similar expressions or variations of such words. Forward looking statements are, by their nature, not guarantees of the Company's future operational or financial performance and are subject to risks and uncertainties and other factors that could cause the Company's actual results, performance, prospects or opportunities to differ materially from those expressed in, or implied by, these forward-looking statements. No representation or warranty is intended with respect to anticipated future results, or that estimates, or projections will be sustained.

In developing the forward-looking statements in the MD&A, the Company has applied several material assumptions, including the availability of financing on reasonable terms, the Company's ability and general business and economic conditions. Many risks, uncertainties and other factors could cause the actual results of GMG to differ materially from the results, performance, achievements or developments expressed or implied by such forward-looking statements. These risks, uncertainties and other factors include, but are not limited to the following: overall economic conditions, market acceptance for our products and solutions, the introduction of competing technologies/products,

environmental and regulation requirements, competitive pressures, change in market conditions and other factors that may cause the actual results, performance or achievements to differ materially from those expressed or implied in these forward-looking statements.

Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of the MD&A or as of the date otherwise specifically indicated herein. Due to risks and uncertainties, including the risks and uncertainties elsewhere in this MD&A, actual events may differ materially from current expectations. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. All forward-looking statements contained in the MD&A are expressly qualified in their entirety by this cautionary statement.

BUSINESS OVERVIEW

Company Overview

GMG is a clean-technology company which currently seeks to offer energy saving and energy storage solutions, enabled by graphene manufactured in-house via a proprietary production process. GMG has 15 full-time, one part time and one casual employee in Australia and three contractors, one full-time located in Singapore, one part-time located in the Middle East, and one part-time in Australia. In 2017 and 2018, GMG developed its proprietary production process to decompose natural gas (i.e. methane) into its elements, carbon (as graphene), hydrogen and some residual hydrocarbon gases. This process produces high quality, low cost, scalable, 'tuneable' and low/no contaminant graphene suitable for use in clean-technology and other applications.

GMG's strategy has evolved over time. While GMG graphene may be suitable for a wide range of industries, GMG has narrowed its current focus to target select applications and industries. GMG's management team ("Management") believes that focusing on downstream applications will provide a higher return on in-house graphene production. Also, the vertically integrated approach will enable it to build a long-term competitive advantage. In line with this approach, GMG's initial focus has been developing applications for energy savings and energy storage.

In the energy savings segment, GMG has focused on graphene enhanced heating, ventilation and air conditioning ("HVAC") coating (or energy-saving paint), lubricants and fluids. In the energy storage segment, GMG supplies graphene to enhance the performance of existing battery technologies (e.g. lithium ion), and GMG and the University of Queensland are working collaboratively with financial support from the Australian Government to progress R&D and commercialization of graphene aluminium-ion batteries ("G+Al Batteries").

GMG and its customers have successfully demonstrated HVAC coating projects, offering customers improved heat transfer in space cooling (air-conditioning) and coolant units. Also, GMG is developing lubricants which reduce friction in engines. Both these offerings have the potential to enable lower energy consumption, reducing both cost and emissions.

Near-term revenue generation will depend largely on the ability of the company to generate sales of HVAC coating projects ("Thermal XR powered by GMG graphene" or "TXR") and to a lesser extent on being able to monetize the advanced research and testing work undertaken on graphene enhanced

lubricants. Medium term, GMG remains focused on R&D and will continue to invest in new product development including in energy storage.

Business highlights in the quarter

Revenue progress

Revenue for the quarter of \$114k mainly related to graphene powder for production of Thermal XR powered by GMG graphene, GMG's energy saving HVAC coating product, and collaborative research projects.

After signing Supply and Distribution Agreements for TXR in November 2020, GMG continued to supply graphene powder to the Company's TXR Supplier for TXR production and receive shipments of TXR into inventory.

Business development discussions continue to progress well towards first multi-site TXR project sales in Australia and sales of TXR product to international customer prospects. GMG has exclusive distribution rights for this product in most regions in the world, including the Americas, Middle East, Europe, Africa and NE Asia (China, Japan and Korea) and non-exclusive elsewhere.

Graphene powder production

Modest capital expenditure in the quarter was focused on improvements in manufacturing process technology, uptime and reliability, quality and more accurate systems data. These investments have already resulted in gains in total production time and yield per hour for powder production.

G Lubricants product development

GMG's in-house and external testing program continued to progress. The program involves over 80 test blends in various base and fully formulated oils. Results of this program continue to be encouraging with further results expected from external laboratory trials in the coming months.

Private placement and preparations for TSXV Listing

During the quarter, significant resources were directed to preparing for the Company's listing on the TSX Venture Exchange and capital raising by private placement of Subscription Receipts (see further below under "subsequent events").

Subsequent events

Graphene Enhanced Aluminium-Ion Battery Development Project

On April 22, 2021, the Company announced the execution of an agreement with the University of Queensland's Australian Institute for Bioengineering and Nanotechnology ("AIBN") for the development of graphene aluminium-ion batteries. Under the agreement, GMG will seek to manufacture commercial battery prototypes for watches, phones, laptops, electric vehicles and grid storage with technology developed at the University of Queensland ("UQ"). GMG has also signed a

license agreement with Uniquest, the University of Queensland commercialisation company, which provides GMG an exclusive license of the technology for battery cathodes.

Qualifying Transaction and Listing on TSX Venture Exchange, private placement and appointment of new director

On April 11, 2021, GMG and Cuspis Capital Ltd completed their qualifying transaction (the "Transaction") under TSX Venture Exchange ("TSXV") Policy 2.4 – Capital Pool Companies.

The Transaction was completed by way of statutory plan of arrangement under the Business Corporations Act (Ontario). Prior to completion of the Transaction, the Company effected a share split (the "Split") on the basis of twenty-two (22) post-Split ordinary shares in the capital of GMG ("Shares") for every one (1) pre-Split Share held. Pursuant to the Transaction, the Company acquired 100% of the issued and outstanding shares in the capital of Cuspis ("Cuspis Shares") in exchange for the issuance of 6,162,071 Shares to the former shareholders of Cuspis. The Company also issued 604,500 stock options ("Options") of the Company to former holders of stock options of Cuspis, with each Option being exercisable to purchase one Share at a price of C\$0.4963 until March 12, 2024. In connection with the Transaction, the Company also issued 291,880 Shares to Tri View Capital Ltd. ("Tri View") pursuant to an investment advisory agreement between the Company and Tri View.

Upon closing of the Transaction, William Ollerhead, a former director of Cuspis, was appointed as a director of the Company.

On April 15, 2021, the Shares commenced trading on the TSXV under the symbol "GMG". At listing, the company had 69,081,717 Shares issued and outstanding. The Company is classified as a Tier 1 Industrial Issuer pursuant to TSXV policies.

As previously disclosed in the news release of Cuspis dated April 7, 2021, on March 24, 2021 the Company completed a non-brokered private placement financing of 3,077,000 subscription receipts (each, a "Subscription Receipt") at a price of C\$0.65 per Subscription Receipt for gross proceeds of C\$2,000,050 (the "Offering").

On April 12, 2021, the Subscription Receipts automatically converted ("Conversion") into 3,077,000 units of GMG (the "Units"). Each Unit consists of one (1) Share and one-half (1/2) of one ordinary share purchase warrant of GMG (each, a "GMG Warrant"), with each whole GMG Warrant exercisable into one (1) GMG Share at a price of C\$1.00 for a period of eighteen (18) months from the date of issuance. GMG intends to use the proceeds of the Offering for general working capital purposes. The Units and all securities issuable thereunder are subject to a four-month hold period under applicable Canadian securities laws expiring on July 25, 2021.

At Conversion, GMG also paid finder's fees to in the aggregate amount of C\$109,755.59 in cash, representing 6% of the proceeds from investors introduced by applicable finders, and issued an aggregate of 161,430 share purchase warrants of GMG (the "Finder Warrants"), representing 6% of the Subscription Receipts subscribed for by investors introduced by applicable finders (collectively, the "Finder's Fees"). Each Finder Warrant is exercisable for one GMG ("Finder Warrant Share") at an exercise price of C\$0.65 for a period of 18 months from the date of issuance. The Finder Warrants and Finder Warrant Shares are subject to a four-month hold period expiring on August 13, 2021.

Name Change and Prospectus

The Company also announced that effective April 2, 2021, the Company's name changed from "Graphene Manufacturing Group Pty Ltd." to "Graphene Manufacturing Group Ltd."

For more information regarding the Transaction, the Offering and the change of the Company's name, please refer to the final long form non-offering prospectus of the Company dated March 31, 2021 (the "Prospectus") and available on the Company's SEDAR profile at www.sedar.com.

Launch of new website

On April 1, 2021, GMG launched a new website designed to highlight the Company's business model, corporate philosophies, ESG approach, the GMG solutions portfolio, provide investor information, and ongoing updates on GMG. It provides for the Company's growth and new innovations as GMG develops. The Company's new corporate tagline ENERGY SAVING AND ENERGY STORAGE SOLUTIONS links and is underpinned by examples across the new website. The layout, imagery, messaging, and colours reflect the Company's brand and position going forward and will only strengthen the GMG brand.

Investor relations program

On April 15, 2021, GMG launched the new investor relations section of the corporate website. Investors and prospective investors can access investor-related information, including the Company's corporate presentations, through the following link: <https://graphenemg.com>.

The Company also announced the following agreements and associated investments to increase its investor relations support and outreach:

- an investor relations agreement with Focus Communications Investor Relations Inc;
- an issuer trading services agreement with Generation IACP Inc;
- a consulting agreement with Brian Gusko Advisory Services Inc;
- a consulting agreement with Supercharged Stocks Ltd; and
- a marketing agreement with Hybrid Financial Ltd. a company existing under the laws of Ontario.

Australian regulatory approvals

The Company currently operates under approval from the Australian Industrial Chemicals Introduction Scheme ("AICIS") in its production of graphene powder, and is permitted to produce up to 100kg p.a. The Company is in discussion with AICIS regarding both interim approval to produce significantly greater quantities following both expected sales needs and targeted battery R&D production as well as pursuing a full 'assessed' application process for a further production increase. Formal application submissions are expected over coming weeks.

Other recent events

COVID-19

On March 11, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization, which has caused significant financial market and social dislocation. While government responses to COVID-19 have created an uncertain operating environment which can change at short notice, the Company's staff and production operations have not been materially impacted. Customer trials and related potential sales were somewhat restricted during lockdowns in certain countries for periods in 2020 which slowed the Company's commercialization plans, but currently the Company is not seeing any significant disruption to its manufacturing operations except for slowing business development activities in Australia and other countries.

In financial terms, while the Company benefited from government support measures in prior quarters, no financial support was received during the quarter ended March 31, 2021.

In terms of effects on the Company:

- The Company has maintained access to capital during the 2020 financial year and the first half of the 2021 financial year, as evidenced by its capital raisings during this period. Capital markets conditions have been receptive to the Company for most of the pandemic to date.
- The TXR demonstration projects and customer lubricants trials may have progressed more quickly had it not been for COVID-19.
- While interstate and international travel has been very restricted, the use of technology has greatly mitigated the general impact on the business these restrictions would have otherwise had.

FINANCIAL HIGHLIGHTS

Statement of comprehensive income

\$'000	3 month period ended March 31		9 month period ended March 31	
	2021	2020	2021	2020
Revenue from operations	114	42	208	87
Other income including subsidies, grants and incentives	1	23	215	23
Total revenue	115	65	423	110
Employee expenses	(670)	(502)	(1,859)	(1,490)
Plant expenses	(47)	(32)	(121)	(114)
Occupancy expenses	(38)	(25)	(100)	(69)
Overheads expenses	(429)	(239)	(904)	(669)
Total operating expenses	(1,184)	(798)	(2,984)	(2,342)
EBITDA	(1,069)	(733)	(2,561)	(2,232)
Finance costs	-	(1)	(1)	(1)
Depreciation	(65)	(105)	(164)	(272)
Loss before income tax	(1,134)	(839)	(2,726)	(2,505)

Statement of financial position

\$'000	As at 31	As at 30
	March, 2021	June, 2020
Cash and cash equivalents	603	659
Trade and receivables	250	36
Research and development grants receivable	-	934
Other current assets	203	15
Property plant and equipment	298	228
Intangible assets	51	31
Total assets	1,405	1,903
Current liabilities	478	218
Long term liabilities	-	-
Total liabilities	478	218
Total equity	927	1,685

Statement of cash flows

\$'000	9 month period ended March 31	
	2021	2020
Cash flows from operating activities	(1,716)	(1,523)
Cash flows from investing activities	(254)	(124)
Cash flows from financing activities	1,914	590
Total cash flows	(56)	(1,057)

OPERATIONS

Statement of profit or loss and other comprehensive income

\$'000	Classification	3 month period ended March 31		9 month period ended March 31	
		2021	2020	2021	2020
Revenue from operations	Revenue	114	42	208	87
Other income	Revenue	1	-	1	1
Other gains	Revenue	-	23	214	22
		115	65	423	110
Employee benefits expense	Employee	(657)	(477)	(1,803)	(1,411)
Professional and consulting fees	Overheads	(333)	(123)	(685)	(415)
D&A	D&A	(65)	(105)	(164)	(272)
Travel	Overheads	(1)	(77)	(3)	(124)
Raw material and production inputs	Plant	(7)	(5)	(19)	(8)
Occupancy	Occupancy	(38)	(25)	(100)	(69)
Factory costs	Plant	(40)	(27)	(103)	(106)
Share based payments expense	Employee	(13)	(25)	(56)	(79)
Other expenses	Overheads	(95)	(39)	(215)	(130)
Finance costs	Finance	-	(1)	(1)	(1)
		(1,249)	(904)	(3,149)	(2,615)
Loss before income tax		(1,134)	(839)	(2,726)	(2,505)
Other comprehensive income / loss		-	-	-	-
Total comprehensive loss for the period		(1,134)	(839)	(2,726)	(2,505)

Non-IFRS financial measures

This MD&A does not include measures such as Adjusted EBITDA, which have not been prepared in accordance with IFRS, because, in the reported periods, the business did not achieve significant sales revenue. Therefore, Management believes that using an Adjusted EBITDA in conjunction with the 'Total comprehensive loss for the period', does not provide any meaningful insight.

In future, Management may consider using non-IFRS measures such as 'Adjusted EBITDA' in conjunction with accounting measures to report on performance and profitability. Such measures while not necessarily comparable to similar measures presented by other companies could provide meaningful insight.

Revenues

\$'000	3 month period ended March 31		9 month period ended March 31	
	2021	2020	2021	2020
Revenues from operations	114	42	208	87
Grants, subsidies and tax incentives	-	22	214	22
Interest, sundry and forex gains	1	-	1	1
Total revenue	115	64	423	110

Revenue from operations increased from \$42K in Q3FY20 to \$114K in Q3FY21. In Q3FY21, GMG delivered 80kg of graphene powder to its TXR Supplier, for the production of TXR for GMG generating \$80K of revenue and a further 10kg for the production of TXR for other customers, generating revenue of \$10K. As in prior quarters, GMG had a 'take or pay' style agreement with a customer under which it has committed to supply graphene for a research project for a fixed quarterly fee. In Q3FY21, GMG generated revenues of \$20K through this agreement. The remainder of revenues for operations during the Q3FY21, related to sale of TXR kits and sale of graphene in lubricants. In 9MFY21, GMG recorded \$60K in 'take or pay' revenue relating to the research project and the remaining recorded revenue was from the sale of graphene powder, sale of TXR kits, sale of TXR projects and sale of G Lubricants.

The business has received grants, subsidies and tax incentives, which are recognized as other gains. The largest component of this item is the refundable R&D tax offset which was \$934K in FY20 and \$802K in FY19. GMG receives external advice on this process of calculating the R&D tax offset at the completion of each financial year. This R&D tax offset is recognized only once a year. Thus, no revenue in relation to this tax offset is recognized in Q3FY21 or 9MFY21. In 9MFY21, \$214K relates to government subsidies received relating to COVID-19.

The energy saving HVAC coating, TXR, has been trialed and is now being offered to paying customers. GMG supplies graphene powder to an Australian coatings technology company that specialises in coatings for the HVAC industry (or 'TXR Supplier'), which manufactures TXR. GMG then buys back the TXR under supply and distribution agreements, which were signed in November 2020. GMG has exclusive distribution rights for this product in most regions in the world, including the Americas, Middle East, Europe, Africa and NE Asia (China, Japan and Korea). This will allow GMG to adopt a value-based pricing approach for distribution, supply and install projects of this coating. For regions in which GMG does not have exclusivity under the TXR Agreements, it can still operate on a non-exclusive basis.

In FY21, Management expects R&D expenditure and therefore revenue from tax incentives to be received again, with the amount received depending on the amount of eligible expenditure incurred during the year and timing of GMG's transition from a predominantly R&D focus to a commercial operations phase for part of its operations. The revenue from products is expected to be largely from sales of graphene powder for TXR production now exiting the R&D phase, and sales of full service TXR projects.

Cost of sales and gross profit

Revenue from operations in 9MFY21 was approximately \$208K and approximately \$87K in 9MFY20. Costs considered as direct costs include:

- Light, power and heating
- Feed gas

\$'000	3 month period ended March 31		9 month period ended March 31	
	2021	2020	2021	2020
Agents Commission	-	-	-	1
Cost of Goods Sold	6	2	12	3
Cost of Goods Sold - Samples/Other	-	-	3	2
Total cost of sales	6	2	15	6

The cost of raw materials required to produce graphene is very low. In 9MFY21, 'Total cost of sales' which excludes 'Cost of Goods Sold – samples', account for less than 10% of the 'Revenue from operations'. At this stage, the complexity of allocating various personnel costs to inventory (and cost of sales) is considered to outweigh the benefits of doing so, therefore direct labor costs are not allocated to inventory (or cost of sales), and all labor costs are directly expensed as operating costs. Management believes that the business has the potential to operate at scale with high operating leverage and at high gross margin, hence, the cost of measuring gross margin accurately outweighs the benefit. Selling graphene powder is not central to the strategy of the company. Future revenue is targeted to be driven by products and solutions enhanced with GMG's graphene powder, which are currently at various stages of commercialization. Management believes that the margin for these products will be higher and thus consider gross margin to be less relevant. However, Management will continually assess how best to measure and monitor profitability metrics.

Operating costs

Shown in the table below are total operating costs excluding finance costs and depreciation and amortization.

\$'000	3 month period ended March 31		9 month period ended March 31	
	2021	2020	2021	2020
Employee expenses	(670)	(502)	(1,859)	(1,490)
Plant expenses	(47)	(32)	(121)	(114)
Occupancy expenses	(38)	(25)	(100)	(69)
Overheads expenses	(429)	(239)	(904)	(669)
Total operating expenses	(1,184)	(798)	(2,984)	(2,342)

Following is a description of, and commentary on the high-level expense categories of GMG:

Employee expenses

Employee expenses consist of salaries, on-costs (e.g. superannuation), and share based payments for all employees, directors and certain contractors. The total amount to be expensed as share based payments is determined by reference to the fair value of the options granted under the employee share option plan,

- including any market performance conditions (e.g. the entity's share price); and
- excluding the impact of any service-based vesting conditions (for example, remaining an employee of the entity for a period of time).

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. Total salary costs have increased with increases in the number of employees and any adjustments to salaries of existing employees during the relevant period.

Occupancy

Occupancy expenses relate primarily to leased premises. In both the nine month periods ending March 31, 2021 and March 31, 2020, leased premises include those where production facilities are located and a lease for new premises, where the Company's head office is currently located, signed in October 2020. The monthly lease expense for this new office is \$2K per month. As for the Company's other leases, this short-term lease is recognised on a straight-line basis as an expense. The rent expenses increased from \$44K to \$53K from 9MFY20 to 9MFY21.

Other expenses in this category include cleaning, light, power, heating, telephone internet, repairs and maintenance (R&M) and outgoings. Within these categories, 'Repairs and maintenance' had the largest increase from less than \$3K in H1FY20 to \$13K in H1FY21.

The Company had to change its accounting policies as a result of adopting AASB 16 (Leases). The Company elected to adopt the new rules retrospectively and applied the practical expedients relating to short term leases and, therefore, there was no cumulative effect of initially applying the new standard on 1 July 2019. This had the effect that no corresponding liability or right of use asset was recorded on the balance sheet.

Plant expenses

This includes raw materials and production inputs, general warehouse expenses, Health, safety and environment (HSE), machinery parts and consumables, repairs and maintenance (R&M) and other costs. While expenses on items such as consumables can be estimated, there are various expenses relating to R&M and machinery spares that depend on plant performance and cannot be estimated with a high degree of certainty. In 9MFY21, Machinery componentry and consumables expenses reduced by \$5K and 'Repairs and Maintenance' reduced by \$4K.

Overhead

Insurance, IT, legal, travel, sponsorships, other R&D related expenses, and various other expenses have been classified as 'Overheads'. While expenses such as IT related expenses, travel and marketing are expected to increase as the business grows, others such as licensing and registration, website, other R&D, and filing fees will be uncorrelated to the number of employees, product offerings or number of customers. Following are various sub-items that constitute 'Overhead', for which the change from 9MFY20 to 9MFY21 has been greater than \$10,000:

- Accounting and tax planning expenses increased to \$96K in 9MFY21 from \$38K in 9MFY20 primarily due to costs incurred in preparation for listing;
- Legal expenses increased to \$429K in 9MFY21 from \$50K in 9MFY20 primarily due to costs incurred in preparation for listing, and also due to an increase in advice related to commercial agreements and research collaboration agreements;
- R&D third party expenses increased to \$63K in 9MFY21 from \$15K in 9MFY20 primarily due to the first annual payment of \$46K being made to UQ under the recently announced Graphene Enhanced Aluminium-Ion Battery Development Project;
- Testing and quality control expenses increased to \$30K in 9MFY21 from \$20K in 9MFY20;
- Meeting expenses reduced from \$14K in 9MFY20 to \$1K in 9MFY21 due to greater use of video conferencing technology;
- International travel expenses reduced from \$115K in 9MFY20 to nil in 9MFY21 and domestic travel expenses reduced from \$9K to \$3K over the same period; and
- Consultants and contracting expenses reduced from \$327K in 9MFY20 to \$160K in 9MFY21, mainly due to a contractor termination being replaced by a permanent employee.

Projects

As has been highlighted, the Company has not generated significant revenue to date. Graphene powder is a commercialized product that is generating revenue, but sale of graphene powder is not the Company's core strategy. TXR is a product in early commercial production stage (produced by TXR Supplier), and the business is focusing on developing the market for TXR. The Company is also undertaking significant product development activities to commercialize various other products. This section provides a summary of projects (each project corresponds to a product under development). These are not capital-intensive projects with well-defined project plans, but are ongoing initiatives driven by certain employees, with the cost of the employees being the key expense associated with the projects.

G Lubricants

This product is under development and testing internally and with prospective customers. Results achieved so far are encouraging and therefore Management views this product to be in more advanced stages of development as compared to other products. The research and development for this product is being undertaken in-house. Research is ongoing and there is no fixed end date. Customer engagement is taking place simultaneously, and hence timing of commercial production will be based on customer accepted scientific results, energy savings calculations and receipt of substantial orders. In a business-to-business environment with large corporate counterparties, the timeline for product validation and acceptance is uncertain. There is no significant operating cost for development, other

than the salary costs of the Head Product Scientist and Marketing Manager. Necessary capital equipment has already been acquired.

Several large global lubricant blending and marketing companies and original equipment manufacturers are either testing or have expressed interest in testing G Lubricant concentrates for their performance characteristics for potential adoption as an additive for their products. Some smaller lubricant blending and marketing companies have purchased GMG's graphene for initial trials and/or early-stage small scale commercial production. The Company intends to pursue these opportunities for commercialization of G Lubricants. The Company's staff undertake multiple projects simultaneously and a project cost tracking system has not been required to date. Therefore expenditures made to date on each project cannot be separately identified.

G+AI Battery

Initial performance results on this project being undertaken with University of Queensland are encouraging. The collaboration project signed this reporting quarter is for a period of three years. Research will be carried out by University of Queensland, with the assistance of GMG. The Company will contribute approximately \$150,000 in cash (approximately \$50,000 per annum for three years) and approximately \$250,000 in-kind (graphene costs and costs of human resources of the Company). This project has also been approved to receive grant funding of \$390,000 from the Australian Government's Australian Research Council. The Company's staff undertake multiple projects simultaneously and a project cost tracking system has not been required to date. Therefore expenditures made to date on each project are not separately identified.

The Company expects a commercial prototype to be developed during this project. A successful outcome of this project will create additional new intellectual property which will enable the Company to target a global market for batteries.

G Coolants and G Fluids

These products are currently under development and testing. The research and development for this product is being undertaken in-house. Research is ongoing, but with lesser focus than on G Lubricants, and there is no fixed end date. Customer engagement is taking place simultaneously, and therefore timing of commercial production will be based on customer accepted scientific results, energy savings calculations and receipt of substantial orders. There is no significant operating cost for development, other than the salary costs of the Head Product Scientist responsible for development. Necessary capital equipment has already been acquired.

The Company intends to continue to develop these products with a view to commercialization in the future. The Company's staff undertake multiple projects simultaneously and a project cost tracking system has not been required to date. Therefore expenditures made to date on each project are not separately identified.

G Diesel and bio-Diesel

This application is still in the early stages of development and testing, which has not been prioritized in the near term. The potential for this product has been identified from third party research studies conducted using graphene in diesel and bio-diesel. Research will likely require use of local university facilities to enable performance testing in a controlled environment. As of now, the Company remains interested in this product and is engaged with several major collaboration partners towards the progression of this project, but at this time does not plan to spend significant amounts on this project in the next 12 months. There is no timeline or end date for development of this product. The Company's staff undertake multiple projects simultaneously and a project cost tracking system has not been required to date. Therefore expenditures made to date on each project are not separately identified.

FINANCIAL POSITION, LIQUIDITY AND CAPITAL RESOURCES

Financial position

\$'000	As at 31 March, 2021	As at 30 June, 2020	Difference
Current assets			
Cash and cash equivalents	603	659	(56)
Trade and other receivables	250	36	214
Inventories	188	6	182
Research and development grants receivables	-	934	(934)
Other current assets	15	9	6
Total current assets	1,056	1,644	(588)
Non-current assets			
Property, plant and equipment	298	228	70
Intangible assets	51	31	20
Total non-current assets	349	259	90
Total assets	1,405	1,903	(498)
Current liabilities			
Trade and other payables	376	176	200
Employee benefit obligations	102	42	60
Deferred revenue	-	-	-
Total current liabilities	478	218	260
Total non-current liabilities	-	-	-
Total liabilities	478	218	260
Net assets	927	1,685	(758)
EQUITY			
Contributed equity	7,660	5,769	1,891
Reserves	264	186	78
Accumulated losses	(6,997)	(4,270)	(2,727)
Total equity	927	1,685	(758)

Cash and cash equivalents have decreased by only \$56K due to cash outflows being offset by net proceeds from share issues of approximately \$1,914K in 9MFY21 and receipt of the R&D tax incentive payment of approximately \$934K in 3MFY21.

The R&D tax incentive relating to FY20 of approximately \$934K was calculated as 43.5% of eligible R&D expenditure of \$2,146K in FY20. This amount was a receivable as at June 30, 2020 and was received in H1FY21. Any R&D related expenses for FY21 will be determined only at the end of the financial year. Hence, there is no receivable or accrual for the R&D related tax incentive as at March 31, 2021.

The business did not have substantial sales and hence the trade receivables are low. The key components of the approximately \$250K in trade and other receivables as at March 31, 2021 were:

- \$22K in accounts receivable related to an invoice raised under the 'take or pay' style arrangement under a research contract;
- \$199K in prepayments, a large component of which related to the supply and distribution agreements signed with the TXR Supplier in November, 2020 under which GMG made a payment in advance of \$325,000. Of this, GMG made a net cash payment of \$225,000 and the remaining was set off against a payment in advance from TXR Supplier for graphene powder to be supplied to TXR Supplier. Also, the remaining portion of prepayments relate to prepaid insurance premiums and advance payment for workers compensation insurance; and
- \$29K in GST receivables.

Inventories increased to \$188k as at 31 March, 2021, as additional shipments of TXR were received from TXR Supplier during the quarter under the payment in advance made in November 2020.

The trade and other payables relate to expenses in the ordinary course of business, including accounts payable, wages payable, PAYG withholding tax payable, superannuation payable, and other accrued expenses.

Accounts payable was \$206K as at 31 March, 2021, with an increase since 31 December, 2020 due mainly to higher than normal professional fees being incurred in preparation for listing, and payables relating to research collaboration projects.

Deferred revenue reduced to nil as at 31 March 2021, as remaining graphene powder was shipped to TXR Supplier under the payment in advance received in November 2020, and the associated amount was recognised as revenue.

Cash flow (Operating, Investing, Financing)

\$'000	9 month period ended March 31		Difference	%
	2021	2020		
Cash flows from operating activities				
Receipts from customers and government subsidies (inclusive of GST)	442	119	323	271%
Payments to suppliers and employees (inclusive of GST)	(3,091)	(2,444)	(647)	26%
	(2,649)	(2,325)	(324)	14%
Research and development tax incentive received	934	802	132	16%
Interest received	-	1	(1)	(100%)
Interest paid	(1)	(1)	-	0%
Net cash outflow from operating activities	(1,716)	(1,523)	(193)	13%
Cash flows from investing activities				
Payments for property, plant and equipment	(232)	(109)	(123)	113%
Payments for intangibles	(22)	(15)	(7)	47%
Net cash outflow from investing activities	(254)	(124)	(130)	105%
Cash flows from financing activities				
Proceeds from issues of shares and other equity securities	2,389	590	1,799	305%
Share issue transaction costs	(475)	-	(475)	
Net cash inflow from financing activities	1,914	590	1,324	224%
Net increase/(decrease) in cash and cash equivalents	(56)	(1,057)	1,001	(95%)
Cash and cash equivalents at the beginning of the financial period	659	1,828	(1,169)	(64%)
Cash and cash equivalents at end of the period	603	771	(168)	(22%)

Liquidity and capital resources

GMG has generated limited revenues to date. Cash expenses mainly relate to operations and R&D activities. Capital raised has been mainly used to fund the development of the Company's proprietary graphene powder production technology and associated graphene enhanced products and solutions, associated plant and equipment and expenses for manufacturing and marketing these products.

Revenue in the near term is targeted to be generated from the HVAC coating customer offering, Thermal XR powered by GMG graphene. Growth in customer demand for this and other offerings will influence the amount and timing of future funding requirements for GMG. The go-to-market strategy for TXR will evolve as GMG receives more feedback from customers, has more referenceable energy savings data and more customer success stories. Based on these parameters, GMG will determine how much to invest to achieve rapid market penetration of TXR in different geographies. A rapid penetration strategy may require additional capital, but deployment of capital for marketing purposes would be controllable by Management.

As at March 31, 2021, the cash and cash equivalents were \$603K. Since the end of the Interim period ending March 31, 2021, the Company completed a Subscription Receipt Financing raising C\$2,050K in gross proceeds. Furthermore, under the recently completed Plan of Arrangement, GMG acquired Cuspis Capital with cash and short term investments balances, net of liabilities, of approximately C\$2,000K in cash.

At the completion of the Arrangement, Management believes GMG had enough cash to meet its growth (sale and marketing activities for TXR and other products) and development (investment in

lubricants, G+AI Batteries and fluids) objectives for at least 12 months. To date, the Company has relied on grants, subsidies and R&D incentives and external funding from investors. There is no guarantee that revenue generated by the business will be sufficient to fund the business for a longer period of time. There can be no assurance that adequate funding will be available in the future, or on terms that are favorable to the Company.

Although the operating and investing cash flow for 9MFY20 and 9MFY21 were negative, it is assumed that the Company has neither the intention nor the need to liquidate any of its assets to discharge its liabilities and commitments in the normal course of business. Though not guaranteed, Management believes that investors will continue to support the business to fund its expansion and development of products and solutions until the business becomes profitable.

Financial instruments and risk management

Financial assets and financial liabilities are recognised in the balance sheet when the Company becomes party to the contractual provisions of the financial instrument. GMG's financial instruments are its cash and cash equivalents, trade and other receivables, trade and other payables. The Company is exposed to a variety of financial risks, which result from its financing, operating and investing activities. The objective of financial risk management is to contain, where appropriate, exposures in these financial risks to limit any negative impact on the Company's financial performance and position.

The risks arising from the Company's financial instruments are mainly credit risk and foreign currency risk. The risk management policies employed by the Company to manage these risks are discussed below:

Credit risk

Credit risk arises when a failure by counterparties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the balance sheet date. The maximum exposure to credit risk at balance date in relation to each class of recognised financial assets is the gross carrying amount of those assets.

As the company expands and increases sales, this will become a larger consideration. Management closely monitors, the activities of its counterparties and potential counterparties.

Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and the maturity of liabilities do not match. Some financial assets may not be able to be monetised in a timely manner. For example, if there is a delay in receipt of the R&D tax incentive, which has been a substantial source of cash inflow in FY19 and FY20, the company could face a liquidity issue. While the company does not have any credit facilities from banks, GMG ensures it maintains enough cash, to fulfil its near-term liabilities.

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the Company's functional currency. The Company

is exposed to foreign exchange risk, however, at present, this risk is relatively low as there are no significant revenues and most expenses are denominated in Australian dollars. However, in the past, the company has sourced funding from investors and capital equipment from overseas. Because of the relatively low level of foreign currency exposure, the Company's policy is not to enter into any currency hedging transactions.

Off-balance sheet arrangements

As of the date of this MD&A, the Company did not have any off-balance sheet arrangements nor any contingent liabilities, except for the non-cancellable operating leases for warehouses and portable office units.

Outstanding shares

As at May 7, 2021, the Company has:

- 69,081,717 ordinary shares issued and outstanding;
- 6,202,454 options outstanding with expiry dates ranging between March 12, 2024 and March 11, 2028, with exercise prices between A\$0.36 and C\$1.00. If all the options were exercised, 6,202,454 shares would be issued for proceeds of A\$3,245,972¹; and
- 1,699,930 warrants outstanding with expiry dates of 12 October, 2022, with exercise prices between C\$0.65 and C\$1.00. If all the warrants were exercised, 1,699,930 shares would be issued for proceeds of A\$1,725,601¹.

For further details on recent issues of shares and other securities, please refer to the final long form non-offering prospectus of the Company dated March 31, 2021 (the "Prospectus") and available on the Company's SEDAR profile at www.sedar.com.

RISKS AND UNCERTAINTIES

The Company's business is subject to numerous risks and uncertainties, including those described elsewhere in this MD&A, as well as general economic and market risks. These risk factors could materially affect the Company's future operating results and could cause actual events to differ materially from those described in forward-looking information relating to the Company.

For a detailed description of risks and uncertainties, please refer to the final long form non-offering prospectus of the Company dated March 31, 2021 (the "Prospectus") and available on the Company's SEDAR profile at www.sedar.com.

¹ Assuming a C\$/A\$ exchange rate of 1.05.

CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The key reported numbers requiring the use of estimates and critical judgments that may potentially have a significant impact on the Company's earnings and financial position are the useful life of property and equipment and the recognition and amortization of intangible assets.

Intangible assets and property and equipment are amortized or depreciated over their useful lives. Useful lives are based on Management's estimates of the period that the assets will generate revenue, which are periodically reviewed for continued appropriateness. Changes to estimates can result in significant variations in the amounts charged to the statement of comprehensive income in specific periods.

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

FUTURE CHANGES IN ACCOUNTING POLICIES

The Company has applied the following standards and amendments for the first time in their annual reporting period commencing July 1, 2019:

- AASB16 Leases

The Company had to change its accounting policies as a result of adopting AASB 16. The Company elected to adopt the new rules retrospectively and applied the practical expedients relating to short term leases and, therefore, there was no cumulative effect of initially applying the new standard on July 1, 2019. The other amendments listed below did not have any impact on the amounts recognized in prior years and are not expected to significantly affect the current or future years.

- AASB2018-1 Amendments to Australian Accounting Standards - Annual Improvements 2015-2017 Cycle
- Interpretation 23 Uncertainty over Income Tax Treatments.