

# **Graphene Manufacturing Group Ltd**

ACN 614 164 877

**Condensed consolidated interim financial statements for  
the three months ended 30 September 2022 and 2021**

## **Contents**

	<b>Page</b>
Corporate information	3
Condensed consolidated interim statement of profit or loss and other comprehensive income	4
Condensed consolidated interim statement of financial position	5
Condensed consolidated interim statement of changes in equity	6
Condensed consolidated interim statement of cash flows	7
Notes to the condensed consolidated interim financial statements	8

## **Corporate information**

The condensed consolidated interim financial statements of Graphene Manufacturing Group Ltd (“**GMG**” or the “**Company**”) for the three months ended 30 September 2022 were authorised for issue in accordance with a resolution of the directors on 23 November 2022. The Company is a limited liability company incorporated and domiciled in Australia, and whose shares are publicly traded on the TSX Venture Exchange (the “**TSXV**”).

The reviewed consolidated interim financial statements are presented in Australian dollars (**\$** or **A\$**), except for certain references to Canadian dollars (**C\$**) where specifically stated.

### **Directors**

Guy Outen  
Craig Nicol  
Robbert De Weijer (resigned 15 July 2022)  
Robert Shewchuk  
William Ollerhead  
Emma FitzGerald (appointed 1 July 2022)  
Frederick Kotzee (appointed 22 August 2022)

### **Registered office**

Graphene Manufacturing Group Ltd  
5/848 Boundary Road  
Richlands QLD 4077  
Australia

### **Principal place of business**

Graphene Manufacturing Group Ltd  
5/848 Boundary Road  
Richlands QLD 4077  
Australia

### **Share registrar and transfer agent**

Computershare Investor Services Inc.  
510 Burrard Street  
Vancouver BC V6C 3B9  
Canada

### **Auditors**

BDO Audit Pty Ltd  
Level 10, 12 Creek Street  
Brisbane QLD 4000  
Australia

Graphene Manufacturing Group Ltd  
**Condensed Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income**  
For the three months ended 30 September 2022 and 2021

## Condensed Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income

	Note	Three months ended 30 September	
		2022 A\$	2021 A\$
Revenue	6	<b>85,890</b>	13,020
Other income	7(a)	<b>142,639</b>	4,088
Employee benefit expenses	7(b)	<b>(1,566,796)</b>	(896,087)
Professional and consulting fees		<b>(433,111)</b>	(410,321)
Depreciation and amortisation expense	10,11	<b>(217,465)</b>	(36,255)
Travel expenses		<b>(78,115)</b>	(911)
Raw materials and production inputs		<b>(25,203)</b>	(8,398)
Occupancy and utilities expenses		<b>(83,832)</b>	(37,443)
Factory costs		<b>(99,442)</b>	(36,021)
Share based payments expense		<b>(278,550)</b>	(44,898)
Other expenses	7(b)	<b>(283,449)</b>	(103,343)
Finance costs	7(c)	<b>(28,289)</b>	(5,395)
Gain / (loss) on change in fair value of warrants	13(a)	<b>(692,910)</b>	2,402,649
<b>Profit / (loss) before income tax</b>		<b>(3,558,633)</b>	840,685
Income tax expense	8	-	-
<b>Profit / (loss) for the period</b>		<b>(3,558,633)</b>	840,685
<b>Other comprehensive income (OCI)</b>			
Foreign currency translation differences		-	367
<b>Net OCI that may be reclassified to profit or loss in subsequent periods</b>		-	367
<b>OCI for the period, net of tax</b>		-	367
<b>Total comprehensive profit / (loss) for the period</b>		<b>(3,558,633)</b>	841,052
<b>Earnings / (loss) per share attributable to the ordinary equity holders of the Group:</b>			
Basic and diluted (cents)	9	<b>(4.51)</b>	1.18
Weighted average number of ordinary shares outstanding (Basic and diluted)	9	<b>78,915,842</b>	71,535,899

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

**Graphene Manufacturing Group Ltd**  
**Condensed Consolidated Interim Statement of Financial Position**  
**As at 30 September 2022 and 30 June 2022**

## Condensed Consolidated Interim Statement of Financial Position

	Note	30 September 2022 A\$	30 June 2022 A\$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		8,406,295	12,258,018
Trade and other receivables		302,773	142,876
Inventories		334,434	350,388
Research and development grants receivables		1,554,070	1,411,926
Other current assets		368,932	317,884
		<b>10,966,504</b>	<b>14,481,092</b>
<b>Non-current assets</b>			
Property, plant and equipment	10	2,936,360	2,162,174
Intangible assets	11	1,984,352	32,663
		<b>4,920,712</b>	<b>2,194,837</b>
<b>Total assets</b>		<b>15,887,216</b>	<b>16,675,929</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables		1,291,211	804,078
Lease liabilities	12	248,650	136,622
Financial liabilities	13	4,743,733	4,410,364
Employee benefit liabilities		250,286	207,064
Provisions		20,000	20,000
		<b>6,553,880</b>	<b>5,578,128</b>
<b>Non-current liabilities</b>			
Lease liabilities	12	1,239,313	897,627
Provisions		200,000	100,000
		<b>1,439,313</b>	<b>997,627</b>
<b>Total liabilities</b>		<b>7,993,193</b>	<b>6,575,755</b>
<b>Net assets</b>		<b>7,894,023</b>	<b>10,100,174</b>
<b>EQUITY</b>			
Share capital	14	27,149,701	26,435,310
Share capital warrant premium	14	6,331,212	5,971,671
Reserves	15	2,081,443	1,802,893
Accumulated losses		(27,668,333)	(24,109,700)
<b>Total equity</b>		<b>7,894,023</b>	<b>10,100,174</b>

The above condensed consolidated interim statement of financial position should be read in conjunction with the accompanying notes.

**Graphene Manufacturing Group Ltd**  
**Condensed Consolidated Interim Statement of Changes in Equity**  
**For the three months ended 30 September 2022 and 2021**

## Condensed Consolidated Interim Statement of Changes in Equity

	Note	Share capital A\$	Reserves A\$	Accumulated losses A\$	Total equity A\$
<b>Balance at 1 July 2021</b>		13,851,483	563,476	(12,380,536)	2,034,423
Profit for the period		-	-	840,685	840,685
Other comprehensive income / (loss)		-	(40,735)	41,102	367
<b>Total comprehensive profit / (loss) for the period</b>		-	<b>(40,735)</b>	<b>881,787</b>	<b>841,052</b>
<b>Transactions with owners of the Company</b>					
Shares issued	14	9,694,304	-	-	9,694,304
Transaction costs on issued shares	14	(1,321,790)	-	-	(1,321,790)
Share options and warrants exercised	14	127,749	-	-	127,749
Share based payments		-	237,465	-	237,465
		8,500,263	237,465	-	8,737,728
<b>Balance at 30 September 2021</b>		<b>22,351,746</b>	<b>760,206</b>	<b>(11,498,749)</b>	<b>11,613,203</b>
<b>Balance at 1 July 2022</b>		32,406,981	1,802,893	(24,109,700)	10,100,174
Loss for the period		-	-	(3,558,633)	(3,558,633)
Other comprehensive income	15	-	-	-	-
<b>Total comprehensive loss for the period</b>		-	-	<b>(3,558,633)</b>	<b>(3,558,633)</b>
<b>Transactions with owners of the Company</b>					
Shares issued	14	500,000	-	-	500,000
Share options and warrants exercised	14	214,391	-	-	214,391
Share capital warrant premium	14	359,541	-	-	359,541
Share based payments	15(a)	-	278,550	-	278,550
		1,073,932	278,550	-	1,352,482
<b>Balance at 30 September 2022</b>		<b>33,480,913</b>	<b>2,081,443</b>	<b>(27,668,333)</b>	<b>7,894,023</b>

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

**Graphene Manufacturing Group Ltd**  
**Condensed Consolidated Interim Statement of Cash Flows**  
**For the three months ended 30 September 2022 and 2021**

## Condensed Consolidated Interim Statement of Cash Flows

	Note	Three months ended 30 September	
		2022 A\$	2021 A\$
<b>Operating activities</b>			
Receipts from customers and government subsidies		107,930	28,464
Payments to suppliers and employees		<u>(2,765,942)</u>	<u>(1,518,769)</u>
		<b>(2,658,012)</b>	<b>(1,490,305)</b>
Interest received		495	695
Interest paid		<u>(18,970)</u>	<u>-</u>
<b>Net cash used in operating activities</b>		<b>(2,676,487)</b>	<b>(1,489,610)</b>
<b>Investing activities</b>			
Acquisition of property, plant and equipment		<b>(315,040)</b>	<b>(111,944)</b>
Acquisition of intangibles	14	<u>(1,007,102)</u>	<u>-</u>
<b>Net cash used in investing activities</b>		<b>(1,322,142)</b>	<b>(111,944)</b>
<b>Financing activities</b>			
Proceeds from issue of shares		-	9,822,053
Proceeds from issue of share warrants		-	3,634,424
Proceeds from exercise of share options	14	<b>22,781</b>	-
Proceeds from exercise of share warrants	14	<b>191,610</b>	-
Share issue transaction costs		-	(1,101,712)
Payment of lease liabilities		<u>(67,485)</u>	<u>-</u>
<b>Net cash from financing activities</b>		<b>146,906</b>	<b>12,354,765</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>(3,851,723)</b>	<b>10,753,211</b>
Cash and cash equivalents at 1 July		<b>12,258,018</b>	<b>3,359,087</b>
<b>Cash and cash equivalents at 30 September</b>		<b>8,406,295</b>	<b>14,112,298</b>

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

## **1. Reporting entity**

Graphene Manufacturing Group Ltd (“**GMG**” or the “**Company**”) and its subsidiaries (collectively, the “**Group**”) is a for-profit company primarily involved in the development of technology and manufacture of graphene powder and energy saving and energy storage solutions enabled by graphene. The Company is a limited liability company incorporated and domiciled in Australia, and whose shares are publicly traded on the TSX Venture Exchange (the “**TSXV**”).

## **2. Basis of preparation**

These condensed consolidated interim financial statements (“interim financial statements”) as at and for the three months ended 30 September 2022 and 2021 have been prepared in accordance with IAS 34 *Interim Financial Reporting*, and should be read in conjunction with the Group’s last annual consolidated financial statements as at and for the year ended 30 June 2022 (“last annual financial statements”). They do not include all of the information required for a complete set of financial statements prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (“**IFRS**”). However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance since the last annual financial statements.

These interim financial statements were authorised for issue by the Company’s board of directors on 23 November 2022.

### **(a) Going concern**

The condensed consolidated interim financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of operations.

For the three month period ended 30 September 2022, the Group incurred a loss of \$3,558,633 after income tax and net cash outflows from operating activities of \$2,676,487. At 30 September 2022, the Group had net current assets of \$4,412,624 (30 June 2022: \$8,902,964).

The ability of the Group to continue as a going concern is principally dependent upon current cash funding held and the ability to raise additional capital or secure other forms of financing, as and when necessary to meet the levels of expenditure required for the Group. This is required to continue its ongoing development and commercialisation of energy saving and energy storage solutions and to meet the consolidated Group’s working capital requirements.

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

Whilst acknowledging these uncertainties, the Directors have concluded that the going concern basis of preparation of the financial statements is appropriate considering the following circumstances:

- As at 30 September 2022, the Group had cash on hand of \$8,406,295, which together with the Bought Deal Unit Offering as disclosed in note 18(a), is sufficient to meet the ongoing corporate costs and expected project expenditure for twelve (12) months;
- As at the date of this report there are 4,498,559 options and 2,205,875 warrants on issue with exercise prices ranging from AUD\$0.36 to AUD\$2.91. If exercised these could raise up to \$8,791,315 in additional capital;
- The Group continues to closely monitor expenditure, and the Board is confident that it will be able to manage its cash resources appropriately;
- The Group continues to engage with potential energy saving products customers with the aim to increase sales; and
- To the extent required, the Group has capacity under the TSXV Listing Rules to raise further funds through the issue or placement of securities.



## **2. Basis of preparation (continued)**

### **(a) Going concern (continued)**

Should the Group 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 related to the recoverability and classification of recorded asset amounts or classification of liabilities and appropriate disclosures that may be necessary should the Group be unable to continue as a going concern.

## **3. Use of judgements and estimates**

In preparing these interim financial statements, management has made judgements and estimates that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, revenue and expense. Actual results may differ from these estimates.

Significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements.

## **4. Change in accounting policies**

The accounting policies adopted in the preparation of the interim financial statements are consistent with those followed in the preparation of the Group's last annual financial statements for the year ended 30 June 2022. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

## **5. Operating segments**

The Company's senior management represent the Chief Operating Decision Makers ("**CODM**"). The CODM analyses the company information as a whole and as such, have determined that the Company has only one operating segment. Revenue from the operating segment is not significant enough to be separately measured, and all sales come from energy saving and energy storage solutions mainly in Australia. Assets are all based in Australia.

**Graphene Manufacturing Group Ltd**  
**Notes to the condensed consolidated interim financial statements**  
**For the three months ended 30 September 2022 and 2021**

	<u>2022</u>	<u>2021</u>
	A\$	A\$
<b>6. Revenue from contracts with customers</b>		
Sale of goods	<u>85,890</u>	<u>13,020</u>

**(a) Disaggregation of revenue from contracts with customers**

The Group derives revenue from the transfer of goods as follows:

***Timing of revenue recognition***

At a point in time	85,890	13,020
Over time	-	-
	<u>85,890</u>	<u>13,020</u>

**7. Income and expenses**

**(a) Other income**

Research and development tax incentive	142,144	-
Interest income	495	695
Other income	-	3,393
	<u>142,639</u>	<u>4,088</u>

**(b) Notable expenses**

*Employee benefit expenses include the following notable item:*

Superannuation	<u>122,692</u>	<u>72,800</u>
----------------	----------------	---------------

*Other expenses include the following notable items:*

Filing fee expenses	72,145	2,549
Licensing and registration expenses	54,215	5,734
Insurance	53,695	31,682
Testing and quality control	40,364	15,746
Information technology expenses	27,172	16,665
Research and development expenses	10,644	-
Share registry and other listing expenses	6,077	11,049

**(c) Finance costs**

Foreign exchange losses	8,455	4,364
Interest expense – lease liabilities	18,574	-
Finance and other interest charges	1,260	1,031
	<u>28,289</u>	<u>5,395</u>

**8. Income tax expense**

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. The unused tax losses incurred by the Company are not recognised as there is uncertainty on the expected timing in which the Company is likely to generate taxable income in the foreseeable future. Subject to satisfying certain tests under the relevant legislation they can be carried forward indefinitely. As a consequence, there is no income tax expense.

**Graphene Manufacturing Group Ltd**  
**Notes to the condensed consolidated interim financial statements**  
**For the three months ended 30 September 2022 and 2021**

**9. Earnings per share**

Basic earnings or loss per share (“**EPS**”) calculations have been based on the following profit/(loss) attributable to ordinary equity holders divided by the weighted average number of ordinary shares outstanding.

Diluted EPS calculations have been based on the following loss attributable to ordinary equity holders and weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares.

Due to the net loss recognised for the years, and the ongoing non-cash impact on profit and loss due to the change in the fair value of warrants, to ensure consistency and relevance of reporting, all outstanding stock options, warrants and broker warrants were excluded from the calculation of diluted EPS due to their anti-dilutive effect.

	<b>Three months ended 30 September</b>	
	<b>2022</b>	2021
	<b>A\$</b>	A\$
Basic and diluted EPS (cents)	<b>(4.51)</b>	1.18
Profit / (loss) attributable to ordinary equity holders of the Company for basic earnings – continuing operations	<b>(3,558,633)</b>	840,685
Profit / (loss) attributable to ordinary equity holders of the Company adjusted for the effect of dilution	<b>(3,558,633)</b>	840,685
	<b>2022</b>	2021
	<b>Number</b>	Number
<b>(a) Weighted average number of ordinary shares (“WANOS”)</b>		
WANOS used in basic and diluted EPS	<b>78,915,842</b>	71,535,899

Items excluded from the diluted weighted average number of ordinary shares calculation as their effect would have been anti-dilutive:

	<b>Number as at 30 September</b>	
	<b>2022</b>	2021
Stock options	<b>4,498,559</b>	5,639,079
Warrants	<b>2,672,600</b>	4,543,500
Broker warrants	<b>84,287</b>	279,924
Restricted and performance share units	<b>982,479</b>	-
	<b>8,237,925</b>	10,462,503

**Graphene Manufacturing Group Ltd**  
**Notes to the condensed consolidated interim financial statements**  
**For the three months ended 30 September 2022 and 2021**

**10. Property, plant and equipment**

	Right-of-use <sup>(i)</sup>	Property, plant and equipment			Total A\$
	Leased buildings A\$	Plant and equipment <sup>(ii)</sup> A\$	Leasehold improvements A\$	Capital work in progress A\$	
<b>Cost</b>					
At 30 June 2022	1,208,374	1,722,603	412,438	253,375	3,596,790
Additions	475,654	11,280	-	315,040	801,974
Transfers	-	90,319	88,364	(178,683)	-
<b>At 30 September 2022</b>	<b>1,684,028</b>	<b>1,824,202</b>	<b>500,802</b>	<b>389,732</b>	<b>4,398,764</b>
<b>Accumulated depreciation</b>					
At 30 June 2022	134,264	1,285,276	15,076	-	1,434,616
Remeasurement	(134,264)	-	-	-	(134,264)
Depreciation	84,202	57,805	20,045	-	162,052
<b>At 30 September 2022</b>	<b>84,202</b>	<b>1,343,081</b>	<b>35,121</b>	<b>-</b>	<b>1,462,404</b>
<b>Net book value</b>					
At 30 June 2022	1,074,110	437,327	397,362	253,375	2,162,174
<b>At 30 September 2022</b>	<b>1,599,826</b>	<b>481,121</b>	<b>465,681</b>	<b>389,732</b>	<b>2,936,360</b>

(i) Right-of-use ("ROU") asset recognised in respect of the Company's head office and warehouse leased premises in Brisbane, Australia, as disclosed in note 12, with the corresponding lease accounting policy as described in note 31 of the last annual financial statements for the year ended 30 June 2022.

(ii) Plant and equipment cost includes \$24,246 of leased office equipment recognised as a ROU asset as the lease term exceeds 12 months.

**11. Intangible assets**

	Patents, trademarks and other rights A\$	Computer software A\$	Total A\$
	<b>Cost</b>		
At 30 June 2022	37,609	16,266	53,875
Additions	2,007,102	-	2,007,102
<b>At 30 September 2022</b>	<b>2,044,711</b>	<b>16,266</b>	<b>2,060,977</b>
<b>Accumulated amortisation</b>			
At 30 June 2022	16,459	4,753	21,212
Amortisation	54,593	820	55,413
<b>At 30 September 2022</b>	<b>71,052</b>	<b>5,573</b>	<b>76,625</b>
<b>Net book value</b>			
At 30 June 2022	21,150	11,513	32,663
<b>At 30 September 2022</b>	<b>1,973,659</b>	<b>10,693</b>	<b>1,984,352</b>

**Graphene Manufacturing Group Ltd**  
**Notes to the condensed consolidated interim financial statements**  
**For the three months ended 30 September 2022 and 2021**

	<b>30 September 2022 A\$</b>	<b>30 June 2022 A\$</b>
<b>12. Lease liabilities</b>		
Maturity analysis of contractual undiscounted cash flows:		
Within one year	348,980	193,758
Between one and five years	1,418,384	931,627
More than five years	-	84,729
	<b>1,767,364</b>	<b>1,210,114</b>
Lease liabilities included in the condensed consolidated interim statement of financial position:		
Current	248,650	136,622
Non-current	1,239,313	897,627
	<b>1,487,963</b>	<b>1,034,249</b>

***Right-of-use asset and lease liability***

In July 2022, the Company replaced its prior three-year lease agreement for the existing head office leased premises in Brisbane, Australia, with a five-year lease agreement including an additional warehouse in the same location. A right-of-use asset of \$1,684,028 has been recognised, as disclosed in note 10, assessed on its five-year lease term, which is subject to annual review. The corresponding lease liability of \$1,531,451 has been recognised together with a provision for make good of \$200,000.

	<b>30 September 2022 A\$</b>	<b>30 June 2022 A\$</b>
<b>13. Financial liabilities</b>		
Warrant liability:		
Traded warrants	3,368,334	2,919,815
Non-traded warrants	1,375,399	1,490,549
	<b>4,743,733</b>	<b>4,410,364</b>

**(a) Warrant liability**

The Company has issued certain share purchase warrants which have a fixed exercise price in Canadian dollars. As the functional currency of the Company is the Australian dollar, these warrants are considered a derivative as a variable amount of cash in the Company's functional currency will be received on exercise. The share purchase warrants were not issued for goods or services rendered. Accordingly, these warrants are classified and accounted for as a derivative financial liability at fair value through profit or loss. The fair value of the warrants is determined using the quoted market trading data for the Company's traded warrants, and the Black-Scholes option pricing model for non-traded warrants.

The changes in the carrying amounts of the Company's outstanding warrant liability during the three month period ended 30 September 2022 and 2021 were as follows:

	<b>2022 A\$</b>	<b>2021 A\$</b>
At 1 July	4,410,364	2,188,625
Issued during the period	-	3,634,424
Exercised	(359,541)	-
Expired	-	-
Fair value adjustment	692,910	(2,402,649)
<b>At 30 September</b>	<b>4,743,733</b>	<b>3,420,400</b>

Further details of the warrants issued are disclosed in note 14(b).

**13. Financial liabilities (continued)**

**(a) Warrant liability (continued)**

***Non-traded warrants***

The fair value of non-traded warrants and stock options classified as derivative financial liabilities was calculated with the following weighted average assumptions:

	<b>30 September 2022</b>	<b>30 June 2022</b>
Share price	C\$2.95	C\$2.73
Exercise price	C\$1.00 – C\$2.60	C\$1.00 – C\$2.60
Expected volatility	79.6%	79.6%
Expected life (years)	0.04 – 1.93	0.29 – 2.18
Risk-free interest rate	3.43% - 3.57%	2.73% - 3.16%

***Traded warrants***

The Marketed Offering Warrants issued on 2 September 2021 commenced trading on the TSXV on 9 September 2021. On initial recognition and prior to active market trading data being available for use, the Marketed Offering Warrants were valued using the Black Scholes option pricing model based on the inputs below:

	<b>On initial recognition</b>
Share price	C\$2.73
Exercise price	C\$2.60
Expected volatility	61%
Expected life (years)	2.99
Risk-free interest rate	0.20%

Once trading of the warrants commenced, the quoted market trading data on the TSXV was available for use as a Level 1 input to determine the fair value. At 30 September 2022 the fair value of traded warrants was based on the market price of C\$1.50 per warrant at the end of the reporting period.

**Graphene Manufacturing Group Ltd**  
**Notes to the condensed consolidated interim financial statements**  
**For the three months ended 30 September 2022 and 2021**

**14. Share capital**

	Three months ended 30 September			
	2022	2022	2021	2021
Note	Number	A\$	Number	A\$
Ordinary shares	79,103,586	33,480,913	75,786,408	22,351,746
<b>(a) Movement in ordinary shares</b>				
At 1 July	78,764,797	32,406,981	69,545,092	13,851,483
Shares issued – Marketed Offering	-	-	5,635,000	8,903,056
Shares issued - Private Placement	-	-	425,000	791,248
Shares issued – OzKem Transaction	(i) 125,207	500,000	-	-
Share options exercised	(ii) 37,348	22,781	100,000	61,000
Warrants exercised	(iii) 176,234	191,610	81,316	66,749
Transaction costs for issued shares	-	-	-	(1,321,790)
	<b>79,103,586</b>	<b>33,121,372</b>	<b>75,786,408</b>	<b>22,351,746</b>
Share capital warrant premium	-	359,541	-	-
<b>At 30 September</b>	<b>79,103,586</b>	<b>33,480,913</b>	<b>75,786,408</b>	<b>22,351,746</b>

(i) *Share issue - OzKem Transaction*

On 15 August 2022, GMG and OzKem Pty Ltd ("**OzKem**") signed a binding agreement for GMG to acquire the manufacturing intellectual property and brand rights of OzKem's THERMAL-XR® coating products for a cash consideration of \$1 million, in addition to \$1 million in ordinary shares of GMG (the "**OzKem Transaction**"). GMG paid OzKem an initial A\$1 million cash and issued 125,207 ordinary shares of GMG ("Shares") to OzKem upon the receipt of certain deliverables and equipment from OzKem on 8 September 2022 and 22 September 2022 respectively. GMG will issue an additional 125,206 Shares (the "Additional Shares") to OzKem, conditional on a successful commercial batch blend of the THERMAL XR® product being completed by GMG.

(ii) *Share options exercised*

Shares issued upon the exercise of options allocated under the Stock Option Plan detailed in note 16(a).

(iii) *Warrants exercised*

Shares issued upon the exercise of warrants detailed in note 14(b).

**Graphene Manufacturing Group Ltd**  
**Notes to the condensed consolidated interim financial statements**  
**For the three months ended 30 September 2022 and 2021**

**14. Share capital (continued)**

**(b) Warrants**

Warrants, including broker warrants, outstanding at the end of the period have the following expiry dates and exercise prices:

Issue date	Expiry date	Exercise price	30 September 2022	30 June 2022
24 March 2021	24 September 2022	C\$0.65	-	40,050
13 April 2021	13 October 2022	C\$1.00	491,000	621,377
2 September 2021	2 September 2024	C\$2.60	1,994,100	1,996,100
2 September 2021	2 September 2024	C\$2.05	16,180	18,718
2 September 2021	2 September 2024	C\$2.60	187,500	187,500
2 September 2021	2 September 2024	C\$2.14	5,760	5,760
9 November 2021	2 September 2024	C\$2.60	62,347	62,347
<b>Total</b>			<b>2,756,887</b>	<b>2,931,852</b>

The number and weighted average exercise price (“WAEP”) of warrants, which are all exercisable, were as follows:

	Three months ended 30 September			
	2022 WAEP	2022 Number	2021 WAEP	2021 Number
Outstanding at 1 July	\$2.51	2,931,852	\$0.53	1,699,930
Granted	\$2.85	1,269	\$2.76	3,204,810
Exercised	\$1.09	(176,234)	\$0.82	(81,316)
<b>Outstanding at 30 September</b>	<b>\$2.60</b>	<b>2,756,887</b>	<b>\$2.14</b>	<b>4,823,424</b>

There were no warrants forfeited or expired since the end of the last reporting year ended 30 June 2022 and during the three month period ended 30 September 2022.

**15. Reserves**

	30 September 2022 A\$	30 June 2022 A\$
Share-based payment reserve	1,647,453	1,368,903
Warrants reserve	433,990	433,990
	<b>2,081,443</b>	<b>1,802,893</b>

**(a) Movements in reserves**

	Share-Based Payment A\$	Warrants A\$	Total A\$
<b>At 30 June 2022</b>	<b>1,368,903</b>	<b>433,990</b>	<b>1,802,893</b>
Stock option plan expense	2,641	-	2,641
RSUs expense	217,333	-	217,333
PSUs expense	58,576	-	58,576
<b>At 30 September 2022</b>	<b>1,647,453</b>	<b>433,990</b>	<b>2,081,443</b>



## **16. Share-based payments**

### **(a) Stock option plan and Share Incentive Plan**

The establishment of the stock option plan and the Share Incentive Plan were approved by resolutions of shareholders dated 19 September 2018 and 25 November 2021 respectively. The plans are designed to provide eligible participants with an opportunity to share in the ownership of the Company in order to:

- promote the long-term success of the Company;
- provide a strategic, value based reward for eligible persons who make a key contribution to that success;
- align eligible persons' interests with the interests of the Company's shareholders; and
- promote the retention of eligible participants.

Eligible participants under each plan are any director, executive officer, employee or consultant of the Company as decided upon by the board to be eligible under the terms of the respective plan.

Options, RSUs and PSUs may be granted on commercial terms approved by the board, which may include but are not limited to vesting conditions based on length of service and performance of the eligible participant, or the Company's share price. Participation in each plan is at the board's discretion.

Options, RSUs and PSUs are granted under the respective plan for no consideration and carry no dividend or voting rights. Upon exercise or settlement, each option, RSU and PSU is convertible into one ordinary share.

### **(b) Restricted share units ("RSUs") and performance share units ("PSUs")**

#### ***Equity settled***

Under the terms of the share incentive plan ("**Share Incentive Plan**") the Board of Directors may, from time to time, grant to directors, executive officers, employees and consultants, RSUs and PSUs in such numbers and on such terms as determined by the board. RSUs and PSUs granted under the Share Incentive Plan, are exercisable into ordinary shares for no additional consideration, after the vesting conditions specified within the terms of each participants' agreement are met.

The fair value of RSUs and PSUs was determined based on the Company's share price on the date of grant.

The RSUs vest in one to three tranches with vesting conditions based on time and share price performance over its respective one to three-year period. The PSUs vest in three tranches with vesting conditions based on time and performance targets over a three-year period.

Share-based payments expense related to the RSUs and PSUs are recorded over the respective one to three-year vesting period and the amount is adjusted at each reporting period to reflect the number of RSUs and PSUs expected to vest.

**Graphene Manufacturing Group Ltd**  
**Notes to the condensed consolidated interim financial statements**  
**For the three months ended 30 September 2022 and 2021**

**16. Share-based payments (continued)**

**(c) Reconciliation of outstanding share options**

Share options, granted as share based payments, outstanding at the end of the period have the following expiry dates and exercise prices:

Grant date	Expiry date	Exercise price <sup>(i)</sup>	30 September 2022 <sup>(i)</sup>	30 June 2022 <sup>(i)</sup>
6 November 2018	4 November 2025	\$0.36	2,222,654	2,222,654
18 February 2019	16 February 2026	\$0.61	220,000	220,000
15 March 2019	13 March 2026	\$0.61	200,000	200,000
20 March 2019	18 March 2026	\$0.61	29,326	29,326
12 May 2019	10 May 2026	\$0.61	-	37,348
2 December 2019	30 November 2026	\$0.42	440,000	440,000
6 April 2020	5 April 2027	\$0.61	29,326	29,326
21 April 2020	20 April 2027	\$0.61	285,000	285,000
23 December 2020	22 December 2027	\$0.82	791,780	868,648
12 March 2021	10 March 2028	\$0.94	29,348	44,000
15 April 2021	12 March 2024	C\$0.4963	151,125	151,125
16 April 2021	15 April 2024	C\$1.00	100,000	100,000
<b>Total</b>			<b>4,498,559</b>	<b>4,627,427</b>

The number and weighted average exercise price (“WAEP”) of share options representing share based payments, were as follows:

	Three months ended 30 September			
	2022 WAEP <sup>(i)</sup>	2022 Number	2021 WAEP <sup>(i)</sup>	2021 Number
Outstanding at 1 July	\$0.52	4,627,427	\$0.53	5,739,079
Exercised	\$0.61	(37,348)	\$0.61	(100,000)
Forfeited	\$0.84	(91,520)	-	-
<b>Outstanding at 30 September</b>	<b>\$0.52</b>	<b>4,498,559</b>	<b>\$0.53</b>	<b>5,639,079</b>
<b>Exercisable at 30 September</b>	<b>\$0.48</b>	<b>3,835,127</b>	<b>\$0.46</b>	<b>3,029,987</b>

(i) Adjusted for the impact of the Share Split Transaction per note 22(a)(ii) of the last annual financial statements for the year ended 30 June 2022.

There were no options granted or expired since the end of the last reporting year ended 30 June 2022 and during the three month period ended 30 September 2022.

**Graphene Manufacturing Group Ltd**  
**Notes to the condensed consolidated interim financial statements**  
**For the three months ended 30 September 2022 and 2021**

**16. Share-based payments (continued)**

**(d) Reconciliation of outstanding broker warrants**

Broker warrants, issued as share based payments, outstanding at the end of the period have the following expiry dates and exercise prices:

Issue date	Expiry date	Exercise price	30 September 2022	30 June 2022
24 March 2021	24 September 2022	C\$0.65	-	40,050
2 September 2021	2 September 2024	C\$2.05	16,180	18,718
2 September 2021	2 September 2024	C\$2.14	5,760	5,760
9 November 2021	2 September 2024	C\$2.60	62,347	62,347
<b>Total</b>			<b>84,287</b>	<b>126,875</b>

The number and weighted average exercise price (“WAEP”) of broker warrants, issued as share based payments which are all exercisable, were as follows:

	Three months ended 30 September			
	2022 WAEP	2022 Number	2021 WAEP	2021 Number
Outstanding at 1 July	\$2.12	126,875	\$0.70	161,430
Issued	\$2.85	1,269	\$2.39	249,975
Exercised	\$0.88	(43,857)	\$1.86	(215,664)
<b>Outstanding at 30 September</b>	<b>\$2.77</b>	<b>84,287</b>	<b>\$1.59</b>	<b>195,741</b>

There were no broker warrants forfeited or expired since the end of the last reporting year ended 30 June 2022 and during the three month period ended 30 September 2022.

Further details in respect of broker warrants held at reporting date are provided in note 14(b).

**(e) Reconciliation of outstanding RSUs and PSUs**

RSUs and PSUs, granted as share based payments, outstanding at the end of the period, have the following expiry dates:

Grant date	Expiry date	Plan Type	30 September 2022	30 June 2022
20 October 2021	20 October 2026	RSU	181,960	181,960
20 October 2021	20 October 2026	PSU	77,359	77,359
5 December 2021	5 December 2026	RSU	15,662	15,662
14 September 2022	14 September 2027	RSU	453,847	-
20 September 2022	20 September 2027	RSU	253,651	-
<b>Total</b>			<b>982,479</b>	<b>274,981</b>

**16. Share-based payments (continued)**

**(e) Reconciliation of outstanding RSUs and PSUs (continued)**

The number and weighted average share price (“WASP”) of RSUs and PSUs were as follows:

	<b>Three months ended 30 September</b>	
	<b>2022 WASP <sup>(i)</sup></b>	<b>2022 Number</b>
<b>RSUs</b>		
Outstanding at 1 July	\$6.24	197,622
Granted	\$4.20	707,498
<b>Outstanding at 30 September</b>	<b>\$4.65</b>	<b>905,120</b>
<b>Exercisable at 30 September</b>	-	-
<b>PSUs</b>		
Outstanding at 1 July	\$6.28	77,359
<b>Outstanding at 30 September</b>	<b>\$6.28</b>	<b>77,359</b>
<b>Exercisable at 30 September</b>	-	-

(i) Further details of fair value measurement are included in note 16(g).

Since the end of the last reporting year ended 30 June 2022 and during the three month period ended 30 September 2022 there were no:

- RSUs exercised, forfeited or expired; and
- PSUs granted, exercised, forfeited or expired.

There were no RSUs or PSUs in the prior comparative three month period ended 30 September 2021.

**(f) Fair value measurement of options and warrants granted**

The assessed fair value of options granted during the three months ended 30 September 2022 was nil (year ended 30 June 2022: nil). The assessed fair value of warrants granted during the three months ended 30 September 2022 was nil (year ended 30 June 2022: \$408,367).

The fair value at grant date is determined using a Black-Scholes Model that takes into account the exercise price, the term of the option, the market price of a share at grant date and expected price volatility of the underlying share, the risk-free interest rate for the term of the option and the volatilities of certain peer group companies.

## 16. Share-based payments (continued)

### (f) Fair value measurement of options and warrants granted (continued)

The fair value of options granted and warrants issued during the three months ended 30 September 2022, and the year ended 30 June 2022, was calculated using the exercise price, grant date and expiry date as per above with the following weighted average assumptions:

On initial recognition	Options		Warrants	
	30 September 2022	30 June 2022	30 September 2022	30 June 2022
Share price at grant date	-	-	-	\$3.19
Expected volatility	-	-	-	61%
Risk-free interest rate	-	-	-	0.18%

- (i) Weighted average share price at grant date includes options granted prior to listing on the TSXV, adjusted for the impact of the Share Split Transaction per note 22(a)(ii) of the last annual financial statements for the year ended 30 June 2022.

Options are granted for no consideration and vested options are exercisable until the expiry date which is between two to seven years after grant date. The expected price volatility is based on the historic volatility of certain peer group companies, and since the listing of the Company's traded warrants, the implied volatility of the Company's shares calculated by reference to those warrants.

### (g) Fair values of RSUs and PSUs granted

The assessed fair value of RSUs and PSUs granted during the three months ended 30 September 2022 was \$2,970,273 (year ended 30 June 2022: \$1,692,837) and is based on the Company's share price on the date of grant.

The RSUs vest in one to three tranches with vesting conditions based on time and share price performance over its respective one to three-year period. The PSUs vest in three tranches with vesting conditions based on time and performance targets over a three-year period.

Share-based payments expense related to the RSUs and PSUs are recorded over the respective one to three-year vesting period and the amount is adjusted at each reporting period to reflect the number of RSUs and PSUs expected to vest.

The fair value of RSUs and PSUs granted during the three months ended 30 September 2022, and the year ended 30 June 2022, was calculated at the grant date based on the following weighted average assumptions:

On initial recognition	RSUs		PSUs	
	30 September 2022	30 June 2022	30 September 2022	30 June 2022
Share price at grant date	\$4.20 <sup>(i)</sup>	\$6.24 <sup>(ii)</sup>	-	\$6.28 <sup>(ii)</sup>

- (i) The fair value of RSUs granted during the three month period ended 30 September 2022, was based on the share price on 25 August 2022 and 2 September 2022 in accordance with employment agreement terms and the Share Incentive Plan.
- (ii) The fair value of RSUs and PSUs granted on 20 October 2021, was based on the share price at the date on which shareholder approval was obtained for the Company's Share Incentive Plan, at the Annual General Meeting held on 25 November 2021 (Eastern Standard Time).

## **17. Commitments and contingencies**

The Company's commitments and contingencies are consistent with those reported in the last annual financial statements as at 30 June 2022.

## **18. Subsequent events**

With the exception of the matter noted below, no other matters or circumstances have occurred since the end of the reporting period, which significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in subsequent reporting periods.

### **(a) Bought Deal Unit Offering**

On November 8, 2022, GMG entered into an agreement pursuant to which Eight Capital as lead underwriter and sole bookrunner, together with a syndicate of underwriters (collectively, the "**Underwriters**"), will purchase 1,819,000 units of the Company (the "**Units**"), on a "bought deal" basis pursuant to the filing of a short form prospectus, subject to all required regulatory approvals, at a price per Unit of C\$2.75 (the "**Issue Price**") for gross proceeds of C\$5,002,250 (the "**Offering**").

Each Unit shall be comprised of one common share in the capital of the Company (a "**Share**") and one common share purchase warrant (a "**Warrant**"). Each Warrant shall entitle the holder thereof to purchase one Share at an exercise price of C\$3.35 for a period of 48 months following the closing date of the Offering.

The Company has agreed to grant the Underwriters an over-allotment option to purchase up to an additional 15% of the Units at the Issue Price, and/or the components thereof, exercisable in whole or in part, at any time on or prior to the date that is 30 days following the closing of the Offering.