Graphene Manufacturing Group Ltd

ACN 614 164 877

Consolidated financial statements for the year ended 30 June 2021

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Corporate information

The consolidated financial statements of Graphene Manufacturing Group Ltd (formerly Graphene Manufacturing Group Pty Ltd) ("**GMG**" or the "**Company**") for the year ended 30 June 2021 were authorised for issue in accordance with a resolution of the directors on 29 October 2021. The Company is a limited company incorporated and domiciled in Australia, and whose shares are publicly traded on the TSX Venture Exchange (the "**TSXV**").

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

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DECLARATION OF INDEPENDENCE BY R M SWABY TO THE DIRECTORS OF GRAPHENE MANUFACTURING GROUP LIMITED

As lead auditor of Graphene Manufacturing Group Limited for the year ended 30 June 2021, I declare that, to the best of my knowledge and belief, there have been no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Graphene Manufacturing Group Limited and the entities it controlled during the year.

R M Swaby
Director

BDO Audit Pty Ltd

Brisbane

29 October 2021

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Note	**2021 $**	2020 $
Revenue	7	**246,369**	110,740
Other income	8(a)	**1,012,981**	1,214,567
Employee benefit expenses		**(2,576,267)**	(1,796,816)
Professional and consulting fees		**(1,380,205)**	(550,660)
Depreciation and amortisation expense	15,16	**(262,721)**	(395,336)
Travel expenses		**(7,073)**	(124,482)
Raw materials and production inputs		**(44,620)**	(12,782)
Occupancy and utilities expenses		**(153,881)**	(90,680)
Factory costs		**(144,991)**	(145,158)
Share based payments expense		**(107,914)**	(101,564)
Listing expenses	28	**(2,226,356)**	-
Other expenses	8(b)	**(2,442,514)**	(173,221)
Finance costs	8(c)	**(23,252)**	(1,698)
Loss before income tax		**(8,110,444)**	(2,067,090)
Income tax expense	9	**-**	-
Loss for the year		**(8,110,444)**	(2,067,090)
Other comprehensive income			
Foreign currency translation differences	21	**40,735**	-
Net other comprehensive income that may be reclassified to profit or loss in subsequent years		**40,735**	-
Other comprehensive income for the year, net of tax		**40,735**	-
Total comprehensive loss for the year		**(8,069,709)**	(2,067,090)
Loss per share attributable to the ordinary equity holders of the Group:			
Basic and diluted (cents)	10	**(13.40)**	(3.87)
Weighted average number of common shares outstanding (Basic and diluted)	10	**60,534,549**	53,443,739

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

Consolidated Statement of Financial Position

	Note	2021 $	2020 $
ASSETS			
Current assets			
Cash and cash equivalents	11	**3,359,087**	658,560
Trade and other receivables	12	**56,281**	36,360
Inventories	13	**335,632**	6,037
Research and development grants receivables		**736,055**	933,821
Other current assets	14	**183,584**	8,720
		4,670,639	1,643,498
Non-current assets			
Property, plant and equipment	15	**224,733**	227,709
Intangible assets	16	**48,799**	31,475
		273,532	259,184
Total assets		**4,944,171**	1,902,682
LIABILITIES			
Current liabilities			
Trade and other payables	17	**538,691**	175,553
Financial liabilities	18	**2,188,625**	-
Employee benefit liabilities	19	**162,432**	42,451
Provisions	20	**20,000**	-
		2,909,748	218,004
Non-current liabilities		**-**	-
Total liabilities		**2,909,748**	218,004
Net assets		**2,034,423**	1,684,678
EQUITY			
Share capital	21	**13,851,483**	5,768,589
Reserves	22	**563,476**	186,181
Accumulated losses		**(12,380,536)**	(4,270,092)
Total equity		**2,034,423**	1,684,678

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

Consolidated Statement of Changes in Equity

	Note	Share capital $	Reserves $	Accumulated losses $	Total equity $
Balance at 1 July 2019		4,645,958	59,332	(2,203,002)	2,502,288
Loss for the year		-	-	(2,067,090)	(2,067,090)
Other comprehensive income		-	-	-	-
Total comprehensive loss for the year		**-**	**-**	**(2,067,090)**	**(2,067,090)**
Transactions with owners of the Company					
Shares issued	21	1,183,569	-	-	1,183,569
Transaction costs on issued shares	21	(60,938)	-	-	(60,938)
Share based payments	22	-	126,849	-	126,849
		1,122,631	126,849	-	1,249,480
Balance at 30 June 2020		**5,768,589**	**186,181**	**(4,270,092)**	**1,684,678**
Balance at 1 July 2020		5,768,589	186,181	(4,270,092)	1,684,678
Loss for the year		-	-	(8,110,444)	(8,110,444)
Other comprehensive income	22	-	40,735	-	40,735
Total comprehensive loss for the year		**-**	**40,735**	**(8,110,444)**	**(8,069,709)**
Transactions with owners of the Company					
Shares issued	21	8,286,017	-	-	8,286,017
Transaction costs on issued shares	21	(647,059)	-	-	(647,059)
Share options exercised	21	245,677	-	-	245,677
Share based payments	22	198,259	336,560	-	534,819
		8,082,894	336,560	-	8,419,454
Balance at 30 June 2021		**13,851,483**	**563,476**	**(12,380,536)**	**2,034,423**

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

Consolidated Statement of Cash Flows

	Note	2021 $	2020 $
Operating activities			
Receipts from customers and government subsidies		**546,236**	401,391
Payments to suppliers and employees		**(4,807,520)**	(3,365,092)
		(4,261,284)	(2,963,701)
Research and development tax incentive received		**911,082**	802,398
Interest received		**1,791**	976
Interest paid		**(91)**	(1,698)
Net cash used in operating activities	29	**(3,348,502)**	(2,162,025)
Investing activities			
Acquisition of property, plant and equipment		**(255,778)**	(133,179)
Acquisition of intangibles		**(21,291)**	(22,532)
Proceeds from return of investment capital	28	**2,177,964**	-
Net cash from / (used in) investing activities		**1,900,895**	(155,711)
Financing activities			
Proceeds from issue of shares		**4,076,195**	1,183,569
Proceeds from issue of share warrants	18	**357,097**	-
Share issue transaction costs		**(325,893)**	(35,653)
Net cash from financing activities		**4,107,399**	1,147,916
Net increase/(decrease) in cash and cash equivalents		**2,659,792**	(1,169,820)
Cash and cash equivalents at beginning of year		**658,560**	1,828,380
Net foreign exchange gain/(loss) on cash held		**40,735**	-
Cash and cash equivalents at end of year	11	**3,359,087**	658,560

The above consolidated 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 and is primarily involved in the development of technology and the manufacture and sale of energy saving and energy storage solutions, enabled by graphene manufactured in-house via a proprietary production process. The Company is a limited company incorporated and domiciled in Australia, and whose shares are publicly traded on the TSX Venture Exchange (the "**TSXV**").

2. Basis of preparation

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with International Financial Reporting Standards adopted by the International Accounting Standards Board ("**IASB**"). They were authorised for issue by the Board of Directors on 29 October 2021.

These consolidated financial statements have been prepared on a historical cost basis, except for those assets held at fair value (refer to note 4(c)).

Details of the Group's accounting policies are included in Note 34. Changes to significant accounting policies are described in Note 5.

(a) Going concern

For the year ended 30 June 2021, the Group incurred a loss of $8,110,444 after income tax and net cash outflows from operating activities of $3,348,502. At 30 June 2021, the Group had net current assets of $1,760,891.

The ability of the Group to continue as a going concern is principally dependent upon raising additional capital or securing 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.

The Directors have concluded that the going concern basis of preparation of the financial statements is appropriate and any uncertainty regarding going concern is mitigated by the following:

- As at 30 June 2021, the Group had cash on hand of $3,359,087, which is sufficient to meet the ongoing corporate costs and expected project expenditure for twelve (12) months.
- Since 30 June 2021, gross proceeds of approximately C$12.5m were received on completion of the Offering and Private Placement. Refer to subsequent events note 33 for further information.

Based on the above, the Directors are of the opinion that at the date of signature of the financial report there are reasonable and supportable grounds to believe that the Group will be able to meet its liabilities from its assets in the ordinary course of business, for a period of not less than 12 months from the date of this financial report and has accordingly prepared the financial report on a going concern basis.

(b) Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 27.

2. Basis of preparation (continued)

(c) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of GMG (the "**Company**" or "**parent entity**") as at 30 June 2021 and the results of all subsidiaries (collectively, the "**Group**") for the year then ended.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the noncontrolling interest acquired is recognised directly in equity attributable to the parent.

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

3. Functional and presentation currency

These consolidated financial statements are presented in Australian dollars (**$** or **A$**), except for certain references to Canadian dollars (**C$**) where specifically stated. The Company's functional and presentation currency is Australian dollars.

(a) Foreign currency transactions and balances

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities, as well as revenue and expense items denominated in foreign currencies, are translated into the functional currency at the exchange rate at the date of the respective transactions. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in the statement of profit or loss and other comprehensive income ("**OCI**").

4. Use of judgements and estimates

In preparing these consolidated 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 expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

4. Use of judgements and estimates (continued)

(a) Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the consolidated financial statements is included in the following notes:

- Going concern (note 2(a)) – whether there are material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern;
- Revenue recognition (note 7(b)) – whether revenue from energy saving and energy storage solutions is recognised over time or at a point in time;
- Inventories (note 13) – whether the net realisable value is greater than the carrying value; and
- Lease term (note 30(a)) – whether the Group is reasonably certain to exercise extension options.

(b) Estimates

Information about assumptions and estimation uncertainties at 30 June 2021 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year are included in the following notes:

- Financial liabilities (note 18) – key assumptions underlying the basis of measurement of warrant liabilities, valued using the Black-Scholes option pricing model;
- Deferred tax assets recognition (note 9(e)) – availability of future taxable profit against which deductible temporary differences and tax losses carried forward can be utilised;
- Intangible assets impairment test (note 34(a)) – key assumptions underlying recoverable amounts; and
- Provisions (note 20) – recognition and measurement of provisions: key assumptions about the likelihood and magnitude of an outflow of resources.

(c) Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Company has an established control framework with respect to the measurement of fair values. Management has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, in conjunction with direct input from the Chief Financial Officer.

Management regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then Management assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of the Standards, including the level in the fair value hierarchy in which the valuations should be classified.

Significant valuation issues reported to the Company's audit committee.

When measuring the fair values of an asset or liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- *Level 1:* quoted prices in active markets for identical assets or liabilities (unadjusted).
- *Level 2:* observable direct or indirect inputs (as prices) for the asset or liability, other than Level 1 inputs.
- *Level 3:* inputs for the asset or liability that are not based on observable market data (unobservable inputs).

4. Use of judgements and estimates (continued)

(c) Measurement of fair values (continued)

If the inputs used to measure the fair value of an asset or liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring the fair values is included in the following notes:

- Note 18 – financial liabilities;
- Note 23 – share-based payment arrangements; and
- Note 24 – financial instruments.

(d) COVID-19

The impact of the COVID-19 global pandemic ("pandemic") on these consolidated financial statements for the year ended 30 June 2021 has been limited. While the long-term impact of the pandemic cannot be fully determined or quantified at this time, we continually assess the current and anticipated future impacts on our operations and results. As estimates and assumptions about future events and their potential effects cannot be determined with certainty, the exercise of judgement is required. The Group is not aware of any specific event or circumstance that would require a change in the information provided within these consolidated financial statements at the date of issuance. Future estimates, assumptions and judgements will continue to be assessed and may change as developments in the state of the pandemic actualise. Any such changes will be reflected in the consolidated financial statements prospectively in the period in which they become known.

5. Changes in significant accounting policies

(a) New standards, interpretations and amendments adopted

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to IFRS 3 *Definition of a Business*

The amendment to IFRS 3 *Business Combinations* clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments has no impact on the consolidated financial statements of the Group, but may impact future periods should the Group enter into any business combinations.

Amendments to IFRS 7, IFRS 9 and IAS 39 *Interest Rate Benchmark Reform*

The amendments to IFRS 9 and IAS 39 *Financial Instruments: Recognition and Measurement* provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the consolidated financial statements of the Group as it does not have any interest rate hedge relationships.

5. Changes in significant accounting policies (continued)

(a) New standards, interpretations and amendments adopted (continued)

Amendments to IAS 1 and IAS 8 *Definition of Material*

The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of the general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the consolidated financial statements of, nor is there expected to be any future impact to the Group.

Amendments to IFRS 16 *Covid-19 Related Rent Concessions*

On 28 May 2020, the IASB issued *Covid-19-Related Rent Concessions – amendment to IFRS 16 Leases*. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. This amendment had no impact on the consolidated financial statements of the Group.

(b) New standards, interpretations and amendments not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the group has decided not to adopt early.

Amendments to IAS 1 *Classification of Liabilities as Current or Non-current*

In January 2020, the IASB issued amendments to IAS 1, which clarify the criteria used to determine whether liabilities are classified as current or non-current. The amendments clarify:

- That current or non-current classification is based on whether an entity has a right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period.
- 'Settlement' includes the transfer of cash, goods, services, or equity instruments unless the obligation to transfer equity instruments arises from a conversion feature classified as an equity instrument separately from the liability component of a compound financial instrument.

The amendments were originally effective for annual reporting periods beginning on or after 1 January 2022. In May 2020, the effective date was deferred to annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current and future practice.

5. Changes in significant accounting policies (continued)

(b) New standards, interpretations and amendments not yet effective (continued)

Amendments to IAS 37 *Onerous contracts – Costs of Fulfilling a Contract*

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

Other standards

The following amendments are effective for the period beginning 1 January 2022 and apply prospectively. These amendments are not expected to have a material impact on the Group's consolidated financial statements:

- *References to Conceptual Framework* (Amendments to IFRS 3);
- *Interest Rate Benchmark Reform – Phase 2* (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16);
- *Property, Plant and Equipment: Proceeds before Intended Use* (Amendments to IAS 16); and
- *Annual Improvements to IFRS Standards 2018-2020* (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41).

6. 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 operating segments 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.

7. Revenue from contracts with customers

	2021 $	2020 $
Sale of goods	**246,369**	110,740

(a) Disaggregation of revenue from contracts with customers

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

	2021 $	2020 $
Timing of revenue recognition		
At a point in time	**166,369**	30,740
Over time	**80,000**	80,000
	246,369	110,740

(b) Revenue recognition

Revenue from contracts with customers is recognised by reference to each distinct performance obligation in the contract with the customer. Revenue from contracts with customers is measured at its transaction price, being the amount of consideration which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, net of goods and service tax, returns, rebates and discounts. Transaction price is allocated to each performance obligation on the basis of the relative standalone selling prices of each distinct good or services promised in the contract. Depending on the substance of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time.

The Group recognises other revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised for the major business activities using the methods outlined below:

Sale of goods
Revenue from the sale of goods is recognised when the Group has satisfied the performance obligations under the contract, which is typically at the point of delivery.

8. Income and expenses

(a) Other income

	2021 $	2020 $
Research and development tax incentive	**736,055**	933,821
Prior year R&D Recoupment tax	**(22,739)**	-
Government COVID-19 subsidies	**213,500**	128,000
Grants income	**83,720**	136,574
Interest income	**1,791**	976
Other income	**654**	341
Net foreign exchange gain	**-**	14,855
	1,012,981	1,214,567

Other income is recognised using the methods outlined below:

Interest income
Interest income is recognised using the effective interest method.

Government grants
Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

(b) Other expenses

Employee benefit expenses includes:

	2021 $	2020 $
Superannuation	**200,398**	149,876

Other expenses include the following items:

	2021 $	2020 $
Change in fair value of warrants	**1,831,528**	-
Finders fees	**245,164**	-
Other listing expenses	**59,326**	-
Research and development expenses	**62,884**	15,000
Testing and quality control	**55,355**	28,676
Insurance	**49,682**	21,024
Information technology expenses	**47,079**	46,063

(c) Finance costs

	2021 $	2020 $
Net foreign exchange loss	**21,267**	-
Interest and finance charges paid/payable	**1,985**	1,698

9. Income tax expense

(a) Income tax expense

	2021 $	2020 $
Current tax	**-**	-
Income tax expense	**-**	-

(b) Numerical reconciliation of income tax benefit to prima facie tax payable

	2021 $	2020 $
Loss from continuing operations before income tax	**(8,110,444)**	(2,067,090)
Tax at the Australian tax rate of 30.0%	**(2,433,133)**	(620,127)
Tax effect of amounts which are not taxable in calculating taxable income:		
Research and development expenditure	**507,625**	644,015
Share based payment expense	**32,374**	30,469
R&D tax incentive	**(213,995)**	(280,146)
Other items	**(6,503)**	(21,656)
Change in fair value of warrants	**549,458**	-
Subtotal	**(1,564,174)**	(247,445)
Unrecognised tax losses and temporary differences movement	**1,564,174**	247,445
Income tax expense/(benefit)	**-**	-

(c) Tax losses

	2021 $	2020 $
Unused tax losses for which no deferred tax asset has been recognised:		
Current year	**2,163,276**	788,142
Prior year/s	**1,431,016**	689,383
Potential tax benefit @ 30%	**1,078,288**	443,258

The unused tax losses were incurred by the Group and there is uncertainty on when the Group is likely to generate taxable income in the foreseeable future. They can be carried forward indefinitely. See note 9(e)(ii) for information about recovery of deferred tax assets and significant judgements made in relation to them.

(d) Unrecognised temporary differences

	2021 $	2020 $
Temporary differences for which deferred taxes have not been recognised:		
Section 40-880 (off balance sheet)	**247,467**	25,113
Fixed assets	**(49,347)**	-
Superannuation payable	**21,065**	10,788
Unrealised foreign exchange losses	**162**	42
Deductible prepayments	**-**	(3,702)
Other accruals	**32,122**	2,400
Provision for employee benefits	**48,729**	12,735
Provision for make good	**6,000**	-
Investment in subsidiaries	**655,505**	-
Tax losses	**1,078,288**	440,858
Unrecognised deferred tax asset relating to the above temporary differences	**2,039,991**	488,234
Unrecognised deferred tax asset relating to s40-880 through equity	**99,240**	28,034
Total unrecognised net deferred tax assets	**2,139,231**	516,268

9. Income tax expense (continued)

(e) Income tax accounting policy

Income tax expense or benefit comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

(i) Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of the current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

(ii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investment in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflects uncertainty related to income taxes, if any.

The measurement of deferred tax reflects the tax consequences that would follow form the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

10. Earnings per share

Basic earnings or loss per share ("**EPS**") calculations have been based on the following 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, all outstanding stock options, warrants and broker warrants were excluded from the calculation of diluted EPS due to their anti-dilutive effect.

In Australian dollars ($) unless otherwise stated	**2021** **$**	2020 $
Basic and diluted EPS (cents) [(i)]	**(13.40)**	(3.87)
Loss attributable to ordinary equity holders of the Company for basic earnings – continuing operations	**(8,110,444)**	(2,067,090)
Loss attributable to ordinary equity holders of the Company adjusted for the effect of dilution	**(8,110,444)**	(2,067,090)

	2021 **Number**	2020 Number
(a) Weighted average number of ordinary shares (basic)		
Weighted average number of ordinary shares used in basic EPS [(i)]	**60,534,549**	53,443,739
(b) Weighted average number of ordinary shares (diluted)		
Weighted average number of ordinary shares used in diluted EPS [(i)]	**60,534,549**	53,443,739
Items excluded from the diluted weighted average number of ordinary shares calculation as their effect would have been anti-dilutive:		
Stock options	**5,739,079**	209,090
Warrants	**1,538,500**	-
Broker warrants	**161,430**	-
	7,439,009	209,090

(i) Adjusted for the additional shares issued under the Share Split transaction per note 21(a)(ii).

	2021 $	2020 $

11. Cash and cash equivalents

	2021 $	2020 $
Cash at bank	**3,359,087**	658,560

Accounting policy for cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

12. Trade and other receivables

	2021 $	2020 $
Trade receivables	**22,000**	22,000
Goods and services tax receivable	**34,281**	2,021
	56,281	24,021

Accounting policy for trade and other receivables

Trade and other receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and are therefore all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade and other receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period of 36 months and the corresponding historical credit losses experienced within this period.

Further information regarding credit risk and impairment is provided in note 24.

13. Inventories

	2021 $	2020 $
Energy saving products	**325,268**	-
Graphene powder	**10,364**	6,037
	335,632	6,037

Accounting policy for inventories

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

	2021 $	2020 $
14. Other current assets		
Prepayments	**168,263**	12,339
Other assets	**15,321**	8,720
	183,584	21,059

Prepayments comprises mainly payments made in advance for insurance related to the Company and its operations.

15. Property, plant and equipment

	Plant and equipment $	Leasehold improvements $	Total $
Cost			
At 1 July 2019	920,748	6,645	927,393
Additions	133,179	-	133,179
At 30 June 2020	**1,053,927**	**6,645**	**1,060,572**
Additions	255,778	-	255,778
At 30 June 2021	**1,309,705**	**6,545**	**1,316,350**
Depreciation and impairment			
At 1 July 2019	439,596	319	439,915
Depreciation	391,618	1,330	392,948
At 30 June 2020	**831,214**	**1,649**	**832,863**
Depreciation	257,425	1,329	258,754
At 30 June 2021	**1,088,639**	**2,978**	**1,091,617**
Net book value			
At 30 June 2020	222,713	4,996	227,709
At 30 June 2021	**221,066**	**3,667**	**224,733**

Accounting policy for property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated using the diminishing value and straight-line methods to allocate the net cost of the assets over their estimated useful lives or, in the case of leasehold improvements, the shorter lease term as follows:

- Plant and equipment 1 - 10 years
- Leasehold improvements 1 - 20 years

The residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting year.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and any disposal proceeds are taken to profit or loss.

16. Intangible assets

	Patents, trademarks and other rights $	Computer software $	Total $
Cost			
At 1 July 2019	15,545	2,900	18,445
Additions	21,885	647	22,532
At 30 June 2020	**37,430**	**3,547**	**40,977**
Additions	11,922	9,369	21,291
At 30 June 2021	**49,352**	**12,916**	**62,268**
Amortisation and impairment			
At 1 July 2019	6,748	365	7,113
Amortisation	1,809	580	2,389
At 30 June 2020	**8,557**	**945**	**9,502**
Amortisation	2,795	1,172	3,967
At 30 June 2021	**11,352**	**2,117**	**13,469**
Net book value			
At 30 June 2020	28,873	2,602	31,475
At 30 June 2021	**38,000**	**10,799**	**48,799**

Accounting policy for intangible assets

(a) Patents, trademarks and licences

Separately acquired patents, trademarks and other rights, including licences, are shown at historical cost. Trademarks, licences and customer contracts acquired in a business combination are recognised at fair value at the acquisition date. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses.

(b) Computer software

Costs associated with maintaining software programmes and the company website are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets. Capitalised website and development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

(c) Research and development

Research expenditure and development expenditure are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent year.

(d) Amortisation

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. The estimated useful lives for the current and comparative periods are as follows:

- Patents, trademarks and other rights 1 - 10 years
- Computer software 1 - 5 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

17. Trade and other payables

	2021 $	2020 $
Trade payables	**197,179**	27,652
Accrued expenses	**203,998**	79,017
Other payables	**137,514**	68,884
	538,691	175,553

Refer to note 24 for further information on financial instruments.

Accounting policy for trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

18. Financial liabilities

	2021 $	2020 $
Warrant liability	**2,188,625**	-

Refer to note 24 for further information on financial instruments.

Accounting policy for derivative financial liabilities

Derivatives are initially recognised at their fair value on the date the derivative contract is entered into and transaction costs are expensed. The Company's derivatives are subsequently re-measured at their fair value at each statement of financial position date with changes in fair value recognised in net income or loss.

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to their host contracts.

(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 Black-Scholes option pricing model on the date of initial recognition (22 April 2021) and again at reporting date.

	Warrant Liability $
At 30 June 2020	**-**
Issued during the year	357,097
Exercised	-
Expired	-
Fair value adjustment	1,831,528
At 30 June 2021	2,188,625

18. Financial liabilities (continued)

(a) Warrant liability (continued)

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

	Warrants	
	30 June 2021	**On initial recognition**
Share price	C$2.09	C$0.65
Exercise price	C$1.00	C$1.00
Expected volatility	100%	100%
Expected life (years)	1.29	1.48
Risk-free interest rate	0.06%	0.07%

19. Employee benefit liabilities

	2021 **$**	2020 $
Liabilities for employee benefits below are current and comprise:		
Annual leave liability	**162,432**	42,451

Accounting policy for employee benefits

(a) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The annual leave liabilities are presented as current employee benefit obligations in the balance sheet. The liabilities relating to wages and other employee related payables are presented as current other payables in the balance sheet.

(b) Other long-term employee benefit obligations

The liabilities for long service leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

At balance date, no long service leave liability has been recognised as no employee has reached the years of service to recognise such liability.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

20. Provisions

	Lease Provision $
At 30 June 2020	**-**
Raised during the year	20,000
Utilised	-
Reversals	-
Unwinding of discount	-
At 30 June 2021	**20,000**
Categorised as:	
Current	20,000
Non-current	**-**

Lease provision

A provision has been recognised for the estimated costs exiting the leased premises in Sumner Queensland, for relocation to a new headquarters. Cost estimates are for the restoration of the premises to its original state as part of the standard lease agreement. Further details provided in the subsequent events note 33.

Accounting policy for provisions

Provisions are recognised when the Group has a present (legal or constructive) obligation as a result of a past event, it is probable the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

21. Share capital

	Note	2021 Number	2021 $	2020 Number	2020 $
Ordinary shares		69,545,092	14,208,580	2,515,178	5,768,589

(a) Movement in ordinary shares

	Note	2021 Number	2021 $	2020 Number	2020 $
At 1 July		2,515,178	5,768,589	2,403,744	4,645,958
Shares issued – before listing	(i)	191,675	2,395,937	111,434	1,183,569
Share split	(ii)	56,843,913	-	-	-
Shares issued - Cuspis Transaction	(iii)	6,162,071	4,185,587	-	-
Shares issued - SR Private Placement	(iv)	3,077,000	1,704,493	-	-
Share based payments	(v)	291,880	198,259	-	-
Share options exercised	(vi)	463,375	245,677	-	-
Transaction costs for issued shares		-	(647,059)	-	(60,938)
At 30 June		**69,545,092**	**13,851,483**	**2,515,178**	**5,768,589**

(i) Shares issued – before listing
Shares issued for contributions of equity prior to listing on the TSXV.

(ii) Share split
On April 11, 2021, GMG and Cuspis Capital Ltd ("**Cuspis**") completed a qualifying transaction (the "**Cuspis Transaction**") under TSXV Policy 2.4 – Capital Pool Companies. The Cuspis Transaction was completed by way of statutory plan of arrangement under the Business Corporations Act (Ontario). Prior to completion of the Cuspis Transaction, the Company effected a share split (the "**Split**" or "**Share 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.

(iii) Share issue - Cuspis Transaction
6,162,071 GMG Split Shares to the former shareholders of Cuspis as part of the Cuspis Transaction.

(iv) Share issue - SR Private Placement
On 24 March 2021, GMG completed a private placement via a subscription receipt offering of 3,077,000 subscription receipts ("**Subscription Receipts**") at a price per Subscription Receipt of C$0.65, for gross proceeds to GMG of C$2,000,050 ("**SR Private Placement**"). Immediately prior to the listing of GMG on the TSXV, the Subscription Receipts were converted to GMG units (comprising 1 GMG split share and 0.5 of a GMG Unit Warrant ("**GMG Unit Warrant**")). Each whole GMG Unit Warrant being exercisable into 1 GMG Split Share at a price of C$1.00 for a period of 18 months from the date of conversion of the Subscription Receipts. Refer to note 18 for the accounting treatment of the financial liability arising from these GMG Unit Warrants.

(v) Share based payments
291,880 shares issued to Tri View Capital Ltd. ("**Tri View**") pursuant to an investment advisory agreement between the Company and Tri View.

(vi) Share options exercised
Shares issued upon exercising options allocated to them under the Stock Option Plan detailed in note 23(a).

21. Share capital (continued)

(b) Ordinary shares

Ordinary shares are classified as equity. Holders of these shares are entitled to dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

Incremental costs directly attributable to the issue of ordinary shares or options are recognised as a deduction from equity. Income tax relating to transaction costs of an equity transaction is recognised in equity or in OCI.

Proceeds related to the issuance of units are allocated between share capital and warrants on a relative fair value basis where warrants are classified as equity instruments. For warrants classified as financial liabilities, the fair value of the warrants is determined with the residual amount allocated to share capital.

(c) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Company, on or before the end of the reporting year but not distributed at the end of the reporting year.

(d) Risk management

For the purpose of the Company's capital management, capital includes share capital, options and warrants and all other equity reserves.

The Company's objectives when managing capital are to:

- safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- maintain an optimal capital structure to reduce the cost of capital.

The Company sets the amount of capital it requires in proportion to risk. The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Company is not funded by debt, and therefore is not subject to externally imposed capital requirements that result in debt covenant ratio types of monitoring. Instead, the Company manages its capital, including shares, options and warrants, together with the current and anticipated funding levels in order to achieve its stated objectives.

21. Share capital (continued)

(e) Options

Share options outstanding at the end of the year have the following expiry dates and exercise prices:

Grant date	Expiry date	Exercise price (i)	Share options 2021 (i)	Share options 2020
6 November 2018	4 November 2025	$0.36	2,546,654	115,757
18 February 2019	16 February 2026	$0.61	220,000	10,000
15 March 2019	13 March 2026	$0.61	220,000	10,000
20 March 2019	18 March 2026	$0.61	29,326	1,333
12 May 2019	10 May 2026	$0.61	210,000	10,000
26 June 2019	24 June 2026	$0.61	110,000	5,000
2 December 2019	30 November 2026	$0.42	440,000	20,000
6 April 2020	5 April 2027	$0.61	29,326	2,000
21 April 2020	20 April 2027	$0.61	770,000	35,000
23 December 2020	22 December 2027	$0.82	868,648	-
12 March 2021	10 March 2028	$0.94	44,000	-
15 April 2021	12 March 2024	C$0.4963	151,125	-
16 April 2021	15 April 2024	C$1.00	100,000	-
Total			**5,739,079**	**209,090**

(i) Adjusted for the additional shares issued under the Share Split transaction per note 21(a)(ii).
(ii) Share Split transaction details are provided in note 21(a)(ii).

The number and weighted average exercise price ("**WAEP**") of share options were as follows:

	2021 WAEP (i)	2021 Number	2020 WAEP (i)	2020 Number
Outstanding at 1 July	$0.46	209,090	$0.42	168,080
Granted before share split	$0.82	41,484	$0.55	57,000
Forfeited during the year	$0.61	(667)	$0.37	(15,990)
Granted for share split (ii)	$0.52	5,248,047	-	-
Granted after share split	$0.59	704,500	-	-
Exercised during the year	$0.51	(463,375)	-	-
Expired during the year	-	-	-	-
Outstanding at 30 June	**$0.53**	**5,739,079**	**$0.46**	**209,090**
Exercisable at 30 June	**$0.46**	**3,097,661**	**$0.44**	**73,924**

21. Share capital (continued)

(f) Warrants

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

Grant date	Expiry date	Exercise price	Note	Warrants 2021	Warrants 2020
24 March 2021	24 September 2022	C$0.65	(i)	161,430	-
13 April 2021	13 October 2022	C$1.00	(ii)	1,538,500	-
Total				**1,699,930**	**-**

(i) *Broker Warrants – SR Private Placement*
On March 24, 2021, the Company completed the SR Private Placement.

In connection with the SR Private Placement, the Company paid finder's fees to certain finders 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 the Company (the "**Broker Warrants**"), representing 6% of the Subscription Receipts subscribed for by investors introduced by applicable finders (collectively, the "**Finder's Fees**"). Each Broker Warrant is exercisable for one Share at an exercise price of C$0.65 until September 24, 2022

(ii) *Warrants – Subscription Receipts*
On April 13, 2021, 1,538,500 GMG Unit Warrants were issued upon the conversion of the 3,077,000 Subscription Receipts. Each whole GMG Unit Warrant is exercisable into one (1) Ordinary Share at a price of C$1.00 until October 13, 2022. These warrants are classified as financial liabilities as disclosed in note 18.

There were no warrants or brokers warrants issued in the prior financial year ended June 30, 2020. No warrants were exercised or forfeited in the during the current financial year ended June 30, 2021.

22. Reserves

	2021 **$**	2020 $
Share-based payment reserve	497,118	186,181
Warrants reserve	25,623	-
Foreign currency translation reserve	40,735	-
	563,476	186,181

(a) Movements in reserves

	Share-Based Payment $	**Warrants $**	**Foreign Currency Translation $**	**Total $**
At 1 July 2019	59,332	-	-	59,332
Share plan expense	126,849	-	-	126,849
At 30 June 2020	**186,181**	**-**	**-**	**186,181**
Share option issues – Cuspis Transaction	177,393	-	-	177,393
Share plan expense	133,544	-	-	133,544
Warrants issued	-	25,623	-	25,623
Foreign currency translation differences	-	-	40,735	40,735
At 30 June 2021	**497,118**	**25,623**	**40,735**	**563,476**

(b) Nature and purpose of reserves

Share-based payments reserve
The share-based payments reserve is used to recognise:
- the grant date fair value of options issued to employees but not exercised;
- the grant date fair value of shares issued to employees; and
- the grant date fair value of deferred shares granted to employees but not yet vested.

Warrants reserve
Warrants and broker warrants fair values are determined according to the quoted prices and number of warrants at the date of issue.

Foreign current translation reserve
The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of Cuspis Capital Ltd into the presentation currency for consolidation purposes.

23. Share-based payments

(a) Stock option plan

The establishment of the stock option plan was approved by a resolution of shareholders dated 19 September 2018. The stock option plan is designed to provide eligible persons 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 persons.

23. Share-based payments (continued)

(a) Stock option plan (continued)

Eligible persons under the plan will be any natural person who is an employee, contractor or consultant (or a natural person engaged by a contractor or consultant), officer or director of the Company, and who is decided by the board to be an eligible person for the purposes of the plan.

Options may be issued 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 person, or the Company's share price. Participation in the plan is at the board's discretion.

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

(b) Reconciliation of outstanding share options

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

	2021 WAEP (i)	2021 Number	2020 WAEP (i)	2020 Number
Outstanding at 1 July	$0.46	209,090	$0.42	168,080
Granted before share split	$0.82	41,484	$0.55	57,000
Forfeited during the year	$0.61	(667)	$0.37	(15,990)
Granted for share split (ii)	$0.52	5,248,047	-	-
Granted after share split	$0.59	704,500	-	-
Exercised during the year	$0.51	(463,375)	-	-
Expired during the year	-	-	-	-
Outstanding at 30 June	**$0.53**	**5,739,079**	**$0.46**	**209,090**
Exercisable at 30 June	**$0.46**	**3,097,661**	**$0.44**	**73,924**

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

Grant date	Expiry date	Exercise price (i)	Share options 2021 (i)	Share options 2020
6 November 2018	4 November 2025	$0.36	2,546,654	115,757
18 February 2019	16 February 2026	$0.61	220,000	10,000
15 March 2019	13 March 2026	$0.61	220,000	10,000
20 March 2019	18 March 2026	$0.61	29,326	1,333
12 May 2019	10 May 2026	$0.61	210,000	10,000
26 June 2019	24 June 2026	$0.61	110,000	5,000
2 December 2019	30 November 2026	$0.42	440,000	20,000
6 April 2020	5 April 2027	$0.61	29,326	2,000
21 April 2020	20 April 2027	$0.61	770,000	35,000
23 December 2020	22 December 2027	$0.82	868,648	-
12 March 2021	10 March 2028	$0.94	44,000	-
15 April 2021	12 March 2024	C$0.4963	151,125	-
16 April 2021	15 April 2024	C$1.00	100,000	-
Total			**5,739,079**	**209,090**

(i) Adjusted for the additional shares issued under the Share Split transaction per note 21(a)(ii).
(ii) Share Split transaction details are provided in note 21(a)(ii).

23. Share-based payments (continued)

(c) Broker warrants

Grant date	Expiry date	Exercise price	Warrants 2021	Warrants 2020
24 March 2021	24 September 2022	C$0.65	161,430	-

Further details in respect of brokers warrants held at reporting date are provided in note 21(f)(i).

There were no brokers warrants issued in the prior financial year ended June 30, 2020. No broker warrants were exercised or forfeited in the during the current financial year ended June 30, 2021.

(d) Fair values of options and warrants granted

The assessed fair value of options granted during the year ended 30 June 2021 was $340,594 (2020: $126,849). The fair value at grant date is determined using an adjusted form of the 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.

The fair value of options granted and warrants issued during the year ended 30 June 2021 was calculated using the exercise price, grant date and expiry date as per above with the following weighted average assumptions:

	Options		Warrants
At 30 June	**2021**	**2020**	**2021**
Share price at grant date	$0.72 (i)	$0.43 (ii)	$0.67
Expected volatility	100%	28%	49%
Risk-free interest rate	0.52% - 0.97%	0.42%	0.15%

(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 21(a)(ii).
(ii) Prior year comparatives adjusted for the impact of the Share Split transaction per note 21(a)(ii).

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.

(e) Share-based payments accounting policy

Share-based compensation benefits are provided to employees via a stock option plan. Shares and warrants may be provided to service providers as share based payments.

Options and warrants

The fair value of options granted under the stock option plan, and warrants issued, is recognised as a share based payments expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted and warrants issued:

- 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, where applicable. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

23. Share-based payments (continued)

(e) Share-based payments accounting policy (continued)

Options and warrants (continued)

Where warrants are issued without vesting conditions attached, the total expense is recognised upon issue.

Shares

The fair value of shares issued as share-based compensation for goods or services rendered, is measured based on the value of those goods or services provided, expensed at the time of share issue. Share based payments settled via the issuance of shares during the year include shares issued for capital raising costs (refer note 21) and shares issued as consideration to the former shareholders of Cuspis (refer note 28).

24. Financial risk management

Financial assets and financial liabilities are recognised in the balance sheet when the Group becomes party to the contractual provisions of the financial instrument. No financial assets and financial liabilities have been offset and presented in the balance sheet. The Group has derivative financial liabilities that are recorded at fair value through profit and loss ("**FVTPL**"). The remaining categories of financial assets and financial liabilities are reported at amortised cost:

	2021	2020
	$	$
Financial assets		
Cash and cash equivalents	**3,359,087**	658,560
Financial assets at amortised cost		
Trade and other receivables	**56,281**	24,021
Research and development grants receivables	**736,055**	933,821
	792,336	957,842
	4,151,423	1,616,402
Financial liabilities		
Liabilities at amortised cost		
Trade and other payables	**(334,693)**	(96,536)
	(334,693)	(96,536)
Liabilities at FVTPL		
Non-traded warrants (i)	**(2,188,625)**	-
	(2,188,625)	-

(i) The fair value of non-traded warrants is measured based on the quoted market price of the warrants at each reporting date using the Black Scholes option-pricing model, as disclosed in note 18.

The activities undertaken by the Group do not expose it to any material credit, liquidity or market risk.

Risk	Exposure arising from	Measurement	Management
Market risk – interest rate	No sensitivity analysis has been conducted on the basis that the only financial instrument held by the Group that would be impacted by a change in interest rates is cash, and a+/-1% change would result in an immaterial impact on the loss for the year.	Not applicable	Cash held by reputable bank.

24. Financial risk management (continued)

Risk	Exposure arising from	Measurement	Management
Credit risk	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.	Not applicable	No collateral is held as security and no credit enhancements relate to financial assets held by the Group.
Liquidity risk	The fair value of payables is assumed to approximate the value of the original transaction.	Fair value	Not applicable

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. It is the Group's policy to require customers to make payment in advance for goods and services supplied. Credit financing facilities are available through third party providers which minimises credit risk associated with customers seeking credit-based arrangements. All sales contracts are assessed locally to determine the credit worthiness of the customer before entering contracts.

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. For banks and financial institutions, only independently rated parties with minimum rating "A" are accepted. The Group's cash and deposits are primarily held with ANZ and Commonwealth Bank which both meet the minimum rating requirement.

Impairment

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the debtor;
- a breach of contract such as a default or being more than 90 days past due;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's objective when managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group's financial liabilities as at 30 June 2021, consist of trade and other payables due within 3 months.

25. Key management personnel disclosures

(a) Directors' and executive officers' remuneration

Details of the nature and amount of each major element of remuneration of each director of the Company, and other key management personnel of the Group are:

		Short term		**Post-employment**		**Share-based payments**		**Portion performance**
In Australian dollars ($)		**Salary & fees (i)**	**Total**	**Superannuation (ii)**	**Other long term (i)**	**Options (iii)**	**TOTAL**	**related**
Directors								
Non-executive directors								
Guy Outen, Chairperson (appointed 27 Nov 2019)	**2021**	**17,500**	**17,500**	**-**	**-**	**27,154**	**44,654**	**-**
	2020	-	-	-	-	19,987	19,987	-
Robert Shewchuk (appointed 15 Jul 2019)	**2021**	**9,167**	**9,167**	**-**	**-**	**-**	**9,167**	**-**
	2020	-	-	-	-	-	-	-
William Ollerhead (appointed 14 Apr 2021)	**2021**	**9,167**	**9,167**	**-**	**-**	**-**	**9,167**	**-**
	2020	-	-	-	-	-	-	-
Sub-total non-executive directors' remuneration	**2021**	**35,834**	**35,834**	**-**	**-**	**27,154**	**62,988**	**-**
	2020	-	-	-	-	19,987	19,987	-
Executive directors								
Craig Nicol, Founder, Managing Director & CEO	**2021**	**261,200**	**261,200**	**24,700**	**25,231**	**6,031**	**317,162**	**-**
	2020	242,866	242,866	22,958	-	14,131	279,955	-
Christopher Ohlrich, Executive Director & CFO	**2021**	**226,200**	**226,200**	**21,375**	**15,231**	**4,217**	**267,023**	**-**
	2020	209,033	209,033	19,744	2,481	9,881	241,139	-
Robbert de Weijer, Executive Director	**2021**	**86,680**	**86,680**	**1,504**	**1,217**	**5,986**	**95,387**	**-**
	2020	41,800	41,800	-	-	1,236	43,036	-
Total directors' and executives' remuneration	**2021**	**609,914**	**609,914**	**47,579**	**41,679**	**43,388**	**742,560**	**-**
	2020	493,699	493,699	42,702	2,481	45,235	584,117	-

(i) In accordance with AASB 119 *Employee Benefits*, annual leave is classified as an other long term employee benefit.
(ii) Superannuation is only applicable for the period in which the directors and non-executive directors are paid as employees, rather than in a consulting capacity.
(iii) The fair value of the options is calculated at the date of grant using the Black Scholes option-pricing model and allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed is the portion of the fair value of the options recognised as an expense in each reporting period.

26. Related parties

	2021	2020
	$	$
(a) Key management personnel compensation		
Short-term employee benefits	**609,914**	493,699
Post-employment benefits	**47,579**	42,702
Long-term benefits	**41,679**	2,481
Share-based payments	**43,388**	45,235
Total key management personnel compensation	**742,560**	584,117

Details of the key management personnel compensation is included in note 25(a).

On 15 April 2021, the Company issued 151,125 share options to William Ollerhead. The options represented a replacement of options previously held in Cuspis as part of the Cuspis Transaction, disclosed in note 28.

There were no loans to key management personnel and their related parties for the reporting years ended 30 June 2021 and 30 June 2020.

Transactions with key management personnel and their related parties for the reporting years ended 30 June 2021 and 30 June 2020, are disclosed in note 26(b).

	2021	2020
	$	$
(b) Transactions with other related parties		
The following transactions occurred with related parties:		
Purchase of services		
Salaries paid to director related entities	**438**	141
Share issue costs paid to director as a share-based payment	**84,317**	32,680
Consulting services	**76,565**	12,643
Amounts owing to related parties at 30 June		
Caerus Capital Partners Inc.	**5,000**	-

Robert Shewchuk is a director and shareholder of Caerus Capital Partners Inc. ("**CCPI**"). CCPI provided consulting services to GMG under a Financial Advisor Consulting Agreement dated 9 February 2021 that had a 6 month term. These services were paid in cash of $66,985 (2020: $nil). A further $12,815 related to vesting of options granted in the prior year for capital raising advisory services (2020: $12,643).

Compensation in the form of directors' fees for all non-executive directors are paid either directly to the directors, or their director-related entities, as disclosed in note 25(a). As at 30 June 2021, the balance of trade payables in respect of directors included in the statement of financial position of the Company were $8,750 for Guy Outen, $4,583 for Robert Shewchuk and $4,583 for William Ollerhead (Chunkerhead Ltd.).

(c) Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

27. Parent entity disclosures

As at, and throughout, the financial year ended 30 June 2021 the parent entity of the Group was Graphene Manufacturing Group Ltd.

	2021 **$**	2020 $
Statement of profit or loss and other comprehensive income		
Loss after income tax	**(8,066,506)**	(2,067,090)
Other comprehensive income for the year, net of tax	**-**	-
Total comprehensive loss for the year	**(8,066,506)**	(2,067,090)
Statement of financial position		
Current assets	**4,670,565**	1,643,498
Non-current assets	**273,532**	259,184
Total assets	**4,944,097**	1,902,682
Current liabilities	**2,906,471**	218,004
Non-current liabilities	**-**	-
Total liabilities	**2,906,471**	218,004
Net assets	**2,037,626**	1,684,678
Equity		
Share capital	**13,851,483**	5,768,589
Reserves	**522,741**	186,181
Accumulated losses	**(12,336,598)**	(4,270,092)
Total equity	**2,037,626**	1,684,678

Parent entity contingent liabilities

The Company recognises a contingent liability as at 30 June 2021 of approximately C$102,195 relating to the repatriation of cash acquired in the Cuspis Transaction, prior to the dissolution of Cuspis Capital Ltd on 12 August 2021. The contingent liability relates to a potential withholding tax obligation in Canada at the rate of 5% of the amount of cash distributed. The transaction is being treated as a return of capital for Australian tax purposes. At the date of this report, GMG is consulting with the Canadian tax authorities in relation to this amount.

The Company had no contingent liabilities as at 30 June 2020.

Parent entity capital commitments for acquisition of property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2021 and 30 June 2020.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the Group as disclosed in the notes to these consolidated financial statements.

28. Acquisition Accounting

On 13 April 2021, GMG and Cuspis completed the Cuspis Transaction as described in Note 21.

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 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.

During June 2021, Cuspis returned investment capital of $2,177,964 to GMG prior to the dissolution of Cuspis on 12 August 2021.

Asset and liabilities acquired:	
Cash and cash equivalents (C$2,045,035)	A$2,137,062
Trade and other payables (C$419)	A$438
Net assets acquired	A$2,136,624
Fair value of shares that GMG issued to affect the transaction	A$4,185,587
Fair value of options that GMG issued to affect the transaction	A$177,393
Total fair value of the consideration	A$4,362,980
Listing expenses recognised in statement of comprehensive income	A$2,226,356
Foreign exchange rate applied (CAD to AUD)	1.045

29. Reconciliation of cash flows from operating activities

	2021 **$**	2020 $
Loss for the year	**(8,110,444)**	(2,067,090)
Adjustments for:		
Depreciation and amortisation	**262,721**	395,336
Share-based payments – share plan	**107,914**	101,564
Share-based payments – other	**198,259**	-
Listing expenses	**2,226,356**	-
Change in fair value of warrants	**1,831,528**	-
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	**142,465**	(86,223)
Increase in inventories	**(329,595)**	(866)
Increase in other current assets	**(162,525)**	(1,632)
Increase/(decrease) in trade and other payables	**363,138**	(515,667)
Increase in provisions and employee benefits liabilities	**119,981**	13,275
Net interest received/(paid)	**1,700**	(722)
Net cash outflow from operating activities	**(3,348,502)**	(2,162,025)

(a) Non-cash investing and financing activities

Share-based payments charged to share issue costs:		
Finders fee shares issued	**269,912**	-
Warrants issued	**25,623**	-
Share plan expense	**25,630**	25,285
	321,165	25,285

30. Commitments

Lease commitments: Company as lessee

The Company leases warehouses and portable office units under non-cancellable operating leases expiring within 1 month to 1 year. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

As the Company has negotiated new leased premises which will result in the renegotiation of the current lease terms, the Company has applied the 'short-term lease' recognition exemptions for these leases.

	2021	2020
	$	$
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	**80,600**	11,770

(a) Leases accounting policy

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payment that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise. Lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

30. Commitments (continued)

(a) Leases accounting policy (continued)

The lease lability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets, as well as short-term leases, including for leased premises and portable office units. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The inclusion of leases within this election, is reassessed at each reporting date according to the current terms of the leases and taking into consideration the reasonable certainty of any assumptions which form part of that assessment.

31. Contingencies

The Company reported a contingent liability as at 30 June 2021 of approximately C$102,195 relating to the repatriation of cash acquired in the Cuspis Transaction, prior to the dissolution of Cuspis Capital Ltd on 12 August 2021. The contingent liability relates to a potential withholding tax obligation in Canada at the rate of 5% of the amount of cash distributed. The transaction is being treated as a return of capital for Australian tax purposes. At the date of this report, GMG is consulting with the Canadian tax authorities in relation to this amount.

The Company had no contingent liabilities as at 30 June 2020.

32. Auditors' remuneration

The auditor of Graphene Manufacturing Group Ltd is BDO Audit Pty Ltd.

	2021	2020
	$	$
Audit and review of financial statements – current year	**42,014**	12,000
Audit and review of financial statements – prior years [(i)]	**26,459**	-
Other assurance services [(ii)]	**19,379**	-
	87,852	12,000

(i) Additional audit and review in respect of prior years ended 30 June 2020 and 30 June 2019, required in conjunction with the Company's prospectus requirements prior to listing on the TSXV.

(ii) Other assurance services consisted of reviews of additional reports produced by the Company including quarterly reporting and the Long Form Prospectus required for the Company's listing on the TSXV.

33. Subsequent events

(a) Offering and private placement

On September 2, 2021, GMG closed an overnight marketed public offering of units (the “**Offering Units**”) of the Company, including exercise in full of the over-allotment option (the “**Offering**”). A total of 5,635,000 Units were sold at a price of C$2.05 per Offering Unit (the “**Offering Price**”) for gross proceeds of approximately C$11.55 million. Each Offering Unit is comprised of one ordinary share in the capital of the Company (each, an “**Ordinary Share**”) and one-half of one Ordinary Share purchase warrant (each, an “**Offering Warrant**”). Each Offering Warrant entitles the holder to purchase one Ordinary Share at C$2.60 at any time until September 2, 2024. The Offering was completed pursuant to an underwriting agreement dated August 13, 2021 among the Company and Cantor Fitzgerald Canada Corporation, as lead underwriter and sole bookrunner, and a syndicate of underwriters including PI Financial Corp., Echelon Wealth Partners Inc. and Haywood Securities Inc.

The TSX Venture Exchange also accepted for listing the 2,817,500 Offering Warrants underlying the Offering Units issued pursuant to the Offering. GMG share warrants trade on TSXV under the ticker “GMG.WT”.

The Company also closed a non-brokered private placement for gross proceeds of $909,500 through the sale of 425,000 units ("**PP Units**") at a price of $2.14 per PP Unit (the "**Private Placement**"). Each PP Unit was comprised of one Ordinary Share and one-half of one warrant (“**PP Warrant**”). Each PP Warrant shall entitle the holder to purchase one Ordinary Share at $2.60 at any time on or before the date which is 36 months from the date of issuance.

The Company anticipates using the proceeds of the Offering and the Private Placement to, among other things, develop a commercial coin cell graphene aluminium-ion battery prototype, perform front end design and commence building of a battery manufacturing facility (subject to a successful prototype and a final investment decision) and for working capital and general corporate purposes.

(b) Dissolution of Cuspis Capital Ltd

Following the successful completion of the Transaction, the Company has dissolved Cuspis Capital Ltd effective on 12 August 2021.

No other matters or circumstances have occurred subsequent to year end that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations or the state of affairs of the Company or economic entity in subsequent financial years.

34. Significant accounting policies

The Group has consistently applied the following significant accounting policies to all periods presented in these consolidated financial statements, unless otherwise stated.

(a) Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

34. Significant accounting policies (continued)

(b) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except:

- When the GST incurred on a sale or purchase of assets or services is not payable to nor recoverable from the taxation authority, in which case the GST is recognised as part of the revenue or the expense item or as part of the cost of acquisition of the asset, as applicable.
- When receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of the receivables or payables in the consolidated statement of financial position. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

Cash flows are included in the consolidated statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

Directors' declaration

In the directors' opinion:

(a) The consolidated financial statements and notes set out on pages 5 to 42:

- (i) comply with Australian Accounting Standards, which, as stated in accounting policy note 2 to the financial statements, constitutes compliance with International Financial Reporting Standards; and
- (ii) give a true and fair view of the Group's financial position as at 30 June 2021 and of its performance for the financial year ended on that date, and

(b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by Section 295A of the Corporations Act 2001.

This declaration is made in accordance with a resolution of the directors.

"Christopher Ohlrich"

Christopher G Ohlrich
Executive Director and CFO

Brisbane
29 October 2021

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INDEPENDENT AUDITOR'S REPORT

To the members of Graphene Manufacturing Group Ltd

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Graphene Manufacturing Group Ltd (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2021 and 30 June 2020, the consolidated statement of profit and loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the years then ended, and notes to the financial report, including a summary of significant accounting policies, and the directors' declaration.

In our opinion the accompanying financial report presents fairly, in all material respects, the financial position of the Group as at 30 June 2021 and 30 June 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Entity in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Cuspis Acquisition

Key audit matter	*How the matter was addressed in our audit*
On April 11, 2021, Graphene Manufacturing Group Ltd ("GMG") completed a qualifying transaction with Cuspis Capital Ltd ("Cuspis") under TSX Venture Exchange ("TSXV") Policy 2.4 – Capital Pool Companies. As part of the transaction, GMG acquired 100% of the issued and outstanding capital of Cuspis in exchange for 6,162,071 shares in GMG. Refer to Note 27 for more details of the transaction. Given the scrip-for-scrip nature of the transaction, it is considered a complex transaction requiring consideration of IFRS 3 *Business Combination* principles, and therefore, required significant audit attention.	Our audit procedures included, but were not limited to, the following: • Reviewing the terms of the Cuspis transaction, including the scrip transferred, against the requirements of IFRS 3 Business Combinations; • Confirming details of the transaction, including the shares received/issued and the share split completed, to supporting documentation and disclosures made on the TSX-V; and • Identifying Cuspis balances at the date of transaction, and ensuring these were appropriately reflected in the GMG Consolidation schedule at 30 June 2021.

Warrants and Derivative Liabilities

Key audit matter	*How the matter was addressed in our audit*
On April 13, 2021, 1,538,500 GMG Unit Warrants were issued upon the conversion of the 3,077,000 Subscription Receipts. Each whole GMG Unit Warrant is exercisable into one (1) Ordinary Share at a price of C$1.00 until October 13, 2022. Refer to note 18 and note 21 (f) for more details. As the warrants are denominated in a currency different to the Group's functional and presentation currency, they fail the fixed for fixed test, in that a variable number of shares are to be issued. Therefore, the warrants are a complex financial instrument, including the recognition of a derivative liability recognised at fair value through profit or loss ("FVTPL"). This valuation is complex and incorporates the use of assumptions, and therefore required significant audit attention.	Our audit procedures included, but were not limited to, the following: • Obtaining the warrant agreement, identifying key issue and exercise terms; • Obtaining management's calculation of the total instrument value, including the derivative liability valuation at FVTPL and the residual balance held in equity; • Recalculating the fair value of the derivative liability on initial recognition, and the fair value movement at year-end; and • Reviewing disclosures within the financial statements relating to these instruments.

Other information

The directors are responsible for the other information. The other information obtained at the date of this auditor's report is information included in the directors report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the Financial Report

Management is responsible for the preparation and fair presentation of the financial report in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located within Appendix One.

This description forms part of our auditor's report.

BDO Audit Pty Ltd

BDO

R M Swaby
Director

Brisbane, 29 October 2021

APPENDIX ONE: AUDITOR'S RESPONSIBILITIES STATEMENT #4 - FORMING PART OF THE AUDITOR'S REPORT

As part of an audit in accordance with the International Standards on Auditing, the auditor exercises professional judgement and maintains professional scepticism throughout the audit. The auditor also:

- Identifies and assesses the risks of material misstatement of the financial report, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence that is sufficient and appropriate to provide a basis for the auditor's opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by those charged with governance.
- Concludes on the appropriateness of those charged with governance's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If the auditor concludes that a material uncertainty exists, the auditor is required to draw attention in the auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify the auditor's opinion. The auditor's conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluates the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

The auditor communicates with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that the auditor identifies during the audit