

Graphene Manufacturing Group Ltd

ACN 614 164 877

Interim financial report

For the three and nine months ended


31 March 2021

Graphene Manufacturing Group Ltd
Interim financial report
For the three and nine month period ended 31 March 2021

Notice of no auditor review of interim financial statements

The accompanying unaudited interim financial report of Graphene Manufacturing Group Ltd for the three and nine months ended 31 March 2021 has been prepared by management and is the responsibility of the Company's management.

The Company's independent auditor has not performed a review of this interim financial report.

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Craig Nicol
Director

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Christopher Ohlrich
Director

Graphene Manufacturing Group Ltd
Condensed statement of profit or loss and other comprehensive income
For the three and nine month period ended 31 March 2021

	Notes	Three months ended		Nine months ended	
		31 March	31 March	31 March	31 March
		2021	2020	2021	2020
		A\$	A\$	A\$	A\$
Sale of goods		113,770	42,000	208,393	86,790
Other income	2(a)	672	160	1,142	836
Other gains/(losses) – net	2(b)	(122)	22,391	213,464	22,279
Professional and consulting fees		(333,491)	(123,233)	(685,326)	(414,752)
Raw materials and production inputs		(6,799)	(4,646)	(18,877)	(8,161)
Employee benefits expense		(657,182)	(476,527)	(1,803,457)	(1,410,901)
Depreciation and amortisation expense		(64,578)	(104,726)	(163,831)	(272,231)
Occupancy and utilities expenses		(38,009)	(24,834)	(100,497)	(68,531)
Travel expenses		(769)	(77,272)	(2,686)	(124,035)
Factory costs		(40,267)	(27,262)	(102,500)	(106,069)
Share based payments expense		(13,129)	(25,148)	(55,598)	(79,477)
Other expenses		(94,240)	(39,182)	(215,356)	(129,718)
Finance expenses		(271)	(513)	(1,168)	(1,190)
Loss before income tax		(1,134,415)	(838,792)	(2,726,297)	(2,505,160)
Income tax expense	2(c)	-	-	-	-
Loss for the period		(1,134,415)	(838,792)	(2,726,297)	(2,505,160)
Other comprehensive income for the period, net of tax		-	-	-	-
Total comprehensive loss for the period		(1,134,415)	(838,792)	(2,726,297)	(2,505,160)
Total comprehensive loss for the period is attributable to:					
Owners of Graphene Manufacturing Group Ltd		(1,134,415)	(838,792)	(2,726,297)	(2,505,160)

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

Graphene Manufacturing Group Ltd
Condensed balance sheet
As at 31 March 2021

		31 March 2021	30 June 2020
	Notes	A\$	A\$
ASSETS			
Current assets			
Cash and cash equivalents		603,243	658,560
Trade and other receivables	3	249,849	36,360
Inventories	4	187,936	6,037
Other current assets		15,320	8,720
Research and development grants receivables		-	933,821
Total current assets		1,056,348	1,643,498
Non-current assets			
Property, plant and equipment	5	297,892	227,709
Intangible assets	6	50,860	31,475
Total non-current assets		348,752	259,184
Total assets		1,405,100	1,902,682
LIABILITIES			
Current liabilities			
Trade and other payables	7	375,614	175,553
Employee benefit obligations		101,715	42,451
Total current liabilities		477,329	218,004
Total non-current liabilities		-	-
Total liabilities		477,329	218,004
Net assets		927,771	1,684,678
EQUITY			
Contributed equity		7,660,030	5,768,589
Reserves		264,130	186,181
Accumulated losses		(6,996,389)	(4,270,092)
Total equity		927,771	1,684,678

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

Graphene Manufacturing Group Ltd
Condensed statement of changes in equity
For the three and nine month period ended 31 March 2021

	Contributed equity	Reserves	Accumulated losses	Total
Notes	A\$	A\$	A\$	A\$
Balance at 1 July 2019	4,645,958	59,332	(2,203,002)	2,502,288
Loss for the period	-	-	(2,505,160)	(2,505,160)
Total comprehensive loss for the period	-	-	(2,505,160)	(2,505,160)
Transactions with owners in their capacity as owners:				
Contributions of equity	620,538	-	-	620,538
Transaction costs on contributions of equity	(30,117)	-	-	(30,117)
Share option plan	-	79,477	-	79,477
Balance at 31 March 2020	5,236,379	138,809	(4,708,162)	667,025
Balance at 30 June 2020	5,768,589	186,181	(4,270,092)	1,684,678
Loss for the period	-	-	(2,726,297)	(2,726,297)
Total comprehensive loss for the period	-	-	(2,726,297)	(2,726,297)
Transactions with owners in their capacity as owners:				
Contributions of equity	8 2,395,937	-	-	2,395,937
Transaction costs on contributions of equity	8 (504,496)	22,351	-	(482,145)
Share option plan	-	55,598	-	55,598
Balance at 31 March 2021	7,660,030	264,130	(6,996,389)	927,771

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

Graphene Manufacturing Group Ltd
Condensed statement of cash flows
For the nine month period ended 31 March 2021

	31 March	31 March
	2021	2020
Notes	A\$	A\$
Cash flows from operating activities		
Receipts from customers and government subsidies (inclusive of GST)	441,918	118,504
Payments to suppliers and employees (inclusive of GST)	(3,090,769)	(2,443,710)
	(2,648,851)	(2,325,206)
Research and development tax incentive received	933,821	802,398
Interest received	488	836
Interest paid	(1,168)	(1,190)
Net cash outflow from operating activities	(1,715,710)	(1,523,162)
Cash flows from investing activities		
Payments for property, plant and equipment	(231,381)	(109,092)
Payments for intangibles	(22,018)	(14,621)
Net cash outflow from investing activities	(253,399)	(123,713)
Cash flows from financing activities		
Proceeds from issues of shares and other equity securities	2,388,596	590,421
Share issue transaction costs	(474,804)	-
Net cash inflow from financing activities	1,913,792	590,421
Net increase/(decrease) in cash and cash equivalents	(55,317)	(1,056,454)
Cash and cash equivalents at the beginning of the financial period	658,560	1,828,380
Cash and cash equivalents at end of the period	603,243	771,926

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

Graphene Manufacturing Group Ltd
Notes to the condensed financial statements
31 March 2021

1. Basis of preparation of interim report

This condensed interim financial report for the nine month period ended 31 March 2021 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting*. The interim financial report is presented in Australian dollars ("A\$").

The interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2020 and any public announcements made by Graphene Manufacturing Group Ltd during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

Going concern

These financial statements were prepared on a going concern basis of accounting, which assumes that the Company will continue operations for the foreseeable future and be able to realise the carrying value of its assets and discharge its liabilities and commitments in the normal course of business. The Company generated revenue from operations of \$208,393 and incurred a net loss of \$2,726,297 for the nine months ended 31 March 2021. However, the directors believe that the existing cash resources following the successful completion of both the transaction and placement, as disclosed in note 10, are sufficient to meet its obligations for at least twelve months from the end of the reporting period.

2. Other income and expense items

(a) Other income

	Three months ended		Nine months ended	
	31 March	31 March	31 March	31 March
	2021	2020	2021	2020
	A\$	A\$	A\$	A\$
Interest income	141	160	488	836
Sundry income	531	-	654	-
	672	160	1,142	836

(b) Other gains/(losses)

	Three months ended		Nine months ended	
	31 March	31 March	31 March	31 March
	2021	2020	2021	2020
	A\$	A\$	A\$	A\$
Net foreign exchange gains/(losses)	(122)	(15)	(36)	(127)
Government COVID-19 subsidies	-	-	213,500	-
Export Market Development Grant	-	22,406	-	22,406
	(122)	22,391	213,464	22,279

(c) Income tax expense

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. The unused tax losses incurred by the Company are not recognised as there is uncertainty on when the Company is likely to generate taxable income in the foreseeable future. They can be carried forward indefinitely. As a consequence, there is no income tax expense.

Graphene Manufacturing Group Ltd
Notes to the condensed financial statements
31 March 2021

3. Trade and other receivables

	31 March 2021	30 June 2020
	A\$	A\$
Trade receivables	22,000	22,000
Other receivables	370	-
Goods and services tax receivable	28,642	2,021
Prepayments	198,838	12,339
	249,849	36,360

4. Inventories

	31 March 2021	30 June 2020
	A\$	A\$
Graphene powder	8,571	6,037
Energy saving products	179,365	-
	187,936	6,037

5. Property, plant and equipment

	Plant and equipment	Leasehold improvements	Total
	A\$	A\$	A\$
At 30 June 2020			
Cost	1,053,927	6,645	1,060,572
Accumulated depreciation	(831,214)	(1,649)	(832,863)
Net book amount	222,713	4,996	227,709
Nine months ended 31 March 2021			
Opening net book amount	222,713	4,996	227,709
Additions	231,381	-	231,381
Depreciation charge	(160,201)	(997)	(161,198)
Closing net book amount	293,893	3,999	297,892
At 31 March 2021			
Cost	1,285,308	6,645	1,291,953
Accumulated depreciation	(991,415)	(2,646)	(994,061)
Net book amount	293,893	3,999	297,892

Graphene Manufacturing Group Ltd
Notes to the condensed financial statements
31 March 2021

6. Intangible assets

	Patents, trademarks and other rights	Website	Total
	A\$	A\$	A\$
At 30 June 2020			
Cost	37,430	3,547	40,977
Accumulated amortisation and impairment	(8,557)	(945)	(9,502)
Net book amount	<u>28,873</u>	<u>2,602</u>	<u>31,475</u>
Nine months ended 31 March 2021			
Opening net book amount	28,873	2,602	31,475
Additions	14,650	7,368	22,018
Amortisation charge	(2,100)	(533)	(2,633)
Closing net book amount	<u>41,423</u>	<u>9,437</u>	<u>50,860</u>
At 31 March 2021			
Cost	52,080	10,915	62,995
Accumulated amortisation and impairment	(10,657)	(1,478)	(12,135)
Net book amount	<u>41,423</u>	<u>9,437</u>	<u>50,860</u>

7. Trade and other payables

	31 March 2021	30 June 2020
	A\$	A\$
Trade payables	205,999	27,652
Accrued expenses	55,918	79,017
Other payables	113,697	68,884
	<u>375,614</u>	<u>175,553</u>

8. Equity securities issued

Issues of ordinary shares during the period ended	31 March 2021	31 March 2020	31 March 2021	31 March 2020
	Shares	Shares	A\$	A\$
Issue of shares	191,675	49,643	2,395,937	620,538
Share issue costs	-	-	(504,496)	(30,117)
	<u>191,675</u>	<u>49,643</u>	<u>1,891,441</u>	<u>590,421</u>

9. Cash flow information

(a) Non-cash investing and financing activities	31 March 2021	30 June 2020
	A\$	A\$
Share based payments charged to share issue costs	22,350	25,285

10. Events occurring after the reporting period

Qualifying Transaction and Listing on TSX Venture Exchange

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

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

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

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

Conversion of Subscription Receipts

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

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

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

Name Change and Prospectus

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

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

The Directors are not aware of any other significant changes in the state of affairs of the Company or events after the reporting period that would have a material impact on the condensed financial statements.

**Graphene Manufacturing Group Ltd
Directors' declaration
31 March 2021**

In the directors' opinion:

- (a) the financial statements and notes set out on pages 1 to 8:
 - (i) comply with Accounting Standards and other mandatory professional reporting requirements, and
 - (ii) give a true and fair view of the entity's financial position as at 31 March 2021 and of its performance for the three and nine month periods ended on that date, and
- (b) there are reasonable grounds to believe that the Graphene Manufacturing Group Ltd will be able to pay its debts as and when they become due and payable.

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

DocuSigned by:

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Christopher G Ohlrich
Director

Brisbane
7 May 2021