

Graphene Manufacturing Group Ltd

ACN 614 164 877

**Unaudited Condensed Consolidated Interim Financial
Statements for the three and nine months ended 31 March
2023 and 2022**

Graphene Manufacturing Group Ltd
Unaudited Condensed Consolidated Interim Financial Statements
For the three and nine months ended 31 March 2023 and 2022

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Corporate information

The unaudited condensed consolidated interim financial statements (“interim financial statements”) of Graphene Manufacturing Group Ltd (“**GMG**” or the “**Company**”) for the three and nine months ended 31 March 2023 and 2022 were authorised for issue in accordance with a resolution of the directors on 26 May 2023. The Company is a limited liability company incorporated and domiciled in Australia, and whose shares are publicly traded on the TSX Venture Exchange (the “**TSXV**”).

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

Directors

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

Registered office

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

Principal place of business

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

Share registrar and transfer agent

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

Auditors

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

Graphene Manufacturing Group Ltd
Unaudited Condensed Consolidated Interim Statement of Profit or Loss
and Other Comprehensive Income
For the three and nine months ended 31 March 2023 and 2022

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

	Note	Three months ended 31 March		Nine months ended 31 March	
		2023 A\$	2022 A\$	2023 A\$	2022 A\$
Revenue	6	24,374	9,084	113,774	37,152
Other income	7(a)	25,374	6,025	168,169	49,259
Employee benefit expenses	7(b)	(1,852,880)	(878,250)	(5,020,345)	(2,707,417)
Professional and consulting fees		(782,295)	(334,024)	(1,904,938)	(1,250,816)
Depreciation and amortisation expense	10,11	(320,662)	(108,917)	(814,084)	(216,186)
Travel expenses		(138,197)	(6,035)	(257,727)	(21,152)
Raw materials and production inputs		(15,402)	(4,428)	(43,134)	(28,651)
Occupancy and utilities expenses		(96,875)	(58,965)	(275,488)	(140,812)
Factory costs		(69,920)	(81,075)	(320,110)	(170,219)
Share based payments expense		(496,758)	(273,452)	(1,602,764)	(613,525)
Other expenses	7(b)	(374,980)	(149,620)	(933,773)	(427,599)
Finance costs	7(c)	(28,113)	(20,331)	(150,697)	(33,712)
Gain / (loss) on change in fair value of warrants	13(a)	1,492,516	3,777,154	3,066,825	(8,010,651)
Profit / (loss) before income tax		(2,633,818)	1,877,166	(7,974,292)	(13,534,329)
Income tax expense	8	-	-	-	-
Profit / (loss) for the period		(2,633,818)	1,877,166	(7,974,292)	(13,534,329)
Other comprehensive income (OCI)					
Foreign currency translation differences		-	-	-	367
Net OCI that may be reclassified to profit or loss in subsequent periods		-	-	-	367
OCI for the period, net of tax		-	-	-	367
Total comprehensive profit / (loss) for the period		(2,633,818)	1,877,166	(7,974,292)	(13,533,962)
Earnings / (loss) per share attributable to the ordinary equity holders of the Group:					
Basic and diluted (cents)	9	(3.22)	2.42	(9.93)	(17.98)
Weighted average number of ordinary shares outstanding (Basic and diluted)	9	81,805,717	77,703,832	80,344,564	75,257,198

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

Unaudited Condensed Consolidated Interim Statement of Financial Position

	Note	As at 31 March 2023 A\$	As at 30 June 2022 A\$
ASSETS			
Current assets			
Cash and cash equivalents		8,770,642	12,258,018
Trade and other receivables		214,928	142,876
Inventories		333,501	350,388
Research and development grants receivables		-	1,411,926
Other current assets		179,017	317,884
		9,498,088	14,481,092
Non-current assets			
Property, plant and equipment	10	3,893,180	2,162,174
Intangible assets	11	1,796,918	32,663
		5,690,098	2,194,837
Total assets		15,188,186	16,675,929
LIABILITIES			
Current liabilities			
Trade and other payables		1,291,200	804,078
Lease liabilities	12	264,788	136,622
Financial liabilities	13	2,644,305	4,410,364
Employee benefit liabilities		229,247	207,064
Provisions		18,916	20,000
		4,448,456	5,578,128
Non-current liabilities			
Lease liabilities	12	1,102,837	897,627
Provisions		200,000	100,000
		1,302,837	997,627
Total liabilities		5,751,293	6,575,755
Net assets		9,436,893	10,100,174
EQUITY			
Share capital	14	30,320,713	26,435,310
Share capital warrant premium	14	7,618,373	5,971,671
Reserves	15	3,581,799	1,802,893
Accumulated losses		(32,083,992)	(24,109,700)
Total equity		9,436,893	10,100,174

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

Graphene Manufacturing Group Ltd
Unaudited Condensed Consolidated Interim Statement of Changes in Equity
For the nine months ended 31 March 2023 and 2022

Unaudited Condensed Consolidated Interim Statement of Changes in Equity

	Note	Share capital A\$	Reserves A\$	Accumulated losses A\$	Total equity A\$
Balance at 1 July 2021		13,851,483	563,476	(12,380,536)	2,034,423
Loss for the period		-	-	(13,534,329)	(13,534,329)
Other comprehensive income / (loss)		-	(40,735)	41,102	367
Total comprehensive loss for the period		-	(40,735)	(13,493,227)	(13,533,962)
Transactions with owners of the Company					
Shares issued	14	9,694,304	-	-	9,694,304
Transaction costs on issued shares	14	(1,557,456)	-	-	(1,557,456)
Share options and warrants exercised	14	9,416,196	-	-	9,416,196
Share based payments		-	1,029,302	-	1,029,302
		17,553,044	1,029,302	-	18,582,346
Balance at 31 March 2022		31,404,527	1,552,043	(25,873,763)	7,082,807
Balance at 1 July 2022					
		32,406,981	1,802,893	(24,109,700)	10,100,174
Loss for the period		-	-	(7,974,292)	(7,974,292)
Other comprehensive income		-	-	-	-
Total comprehensive loss for the period		-	-	(7,974,292)	(7,974,292)
Transactions with owners of the Company					
Shares issued	14	3,382,287	-	-	3,382,287
Transaction costs on issued shares	14	(454,363)	-	-	(454,363)
Share options and warrants exercised	14	957,479	-	-	957,479
Share capital warrant premium	14	1,646,702	-	-	1,646,702
Share based payments	15(a)	-	1,778,906	-	1,778,906
		5,532,105	1,778,906	-	7,311,011
Balance at 31 March 2023		37,939,086	3,581,799	(32,083,992)	9,436,893

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

Graphene Manufacturing Group Ltd
Unaudited Condensed Consolidated Interim Statement of Cash Flows
For the nine months ended 31 March 2023 and 2022

Unaudited Condensed Consolidated Interim Statement of Cash Flows

		Nine months ended 31 March	
	Note	2023 A\$	2022 A\$
Operating activities			
Receipts from customers and government subsidies		107,930	91,235
Payments to suppliers and employees		(8,634,613)	(5,115,697)
Research and development tax incentive received		1,554,070	736,055
Interest received		698	1,523
Interest paid		(71,621)	(21,825)
Net cash from / (used in) operating activities		(7,043,536)	(4,308,709)
Investing activities			
Acquisition of property, plant and equipment	10	(1,663,532)	(630,603)
Acquisition of intangibles	11	(1,024,617)	-
Net cash used in investing activities		(2,688,149)	(630,603)
Financing activities			
Proceeds from issue of shares	14(a)	2,882,287	9,694,304
Proceeds from issue of share warrants	13(a)	3,445,656	3,634,424
Proceeds from exercise of share options	14(a)	22,781	273,358
Proceeds from exercise of share warrants	14(a)	934,698	3,344,601
Share issue transaction costs		(821,392)	(1,141,680)
Payment of lease liabilities		(187,822)	(55,884)
Net cash from financing activities		6,276,208	15,749,123
Net increase in cash and cash equivalents		(3,455,477)	10,809,811
Cash and cash equivalents at 1 July		12,258,018	3,359,087
Net foreign exchange difference on cash held		(31,899)	-
Cash and cash equivalents at 31 March 2023		8,770,642	14,168,898

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

1. Reporting entity

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

2. Basis of preparation

These unaudited condensed consolidated interim financial statements (“interim financial statements”) as at 31 March 2023 and for the three and nine months ended 31 March 2023 and 2022 have been prepared in accordance with IAS 34 *Interim Financial Reporting*, and should be read in conjunction with the Group’s last annual consolidated financial statements as at and for the year ended 30 June 2022 (“last annual financial statements”). They do not include all of the information required for a complete set of financial statements prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (“**IFRS**”). However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance since the last annual financial statements.

These interim financial statements were authorised for issue by the Company’s board of directors on 26 May 2023.

(a) Going concern

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

For the nine month period ended 31 March 2023, the Group incurred a loss of \$7,974,292 after income tax and net cash used in operating activities of \$7,043,536. At 31 March 2023, the Group had net current assets of \$5,049,632.

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

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

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

- As at 31 March 2023, the Group had cash on hand of \$8,770,642, which is anticipated to be sufficient to meet the ongoing corporate costs and expected project expenditure in the short to medium term;
- As at the date of this report there are 4,271,233 options and 4,360,480 warrants on issue with exercise prices ranging from AUD\$0.36 to AUD\$3.02. If exercised these could raise up to \$16,793,195 in additional capital; and
- On 17 May 2023, GMG and Rio Tinto signed a binding Joint Development Agreement (“JDA”) as disclosed in Note 18(a) where subject to the terms and conditions of the agreement, Rio Tinto will contribute technical and operational performance criteria and up to A\$6 million, in exchange for preferential access rights.

2. Basis of preparation (continued)

(a) Going concern (continued)

Should the Group be unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial report. This financial report does not include any adjustments related to the recoverability and classification of recorded asset amounts or classification of liabilities and appropriate disclosures that may be necessary should the Group be unable to continue as a going concern.

3. Use of judgements and estimates

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

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

4. Change in accounting policies

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

5. Operating segments

The Company's senior management represent the Chief Operating Decision Makers ("**CODM**"). The CODM analyses the company information as a whole and as such, have determined that the Company has only one operating segment. Revenue from the operations is not at a stage where there are multiple product lines with all sales coming from energy saving and energy storage solutions mainly in Australia. Assets are all based in Australia.

Graphene Manufacturing Group Ltd
Notes to the unaudited condensed consolidated interim financial statements
For the three and nine months ended 31 March 2023 and 2022
(continued)

	Three months ended		Nine months ended	
	31 March		31 March	
	2023	2022	2023	2022
	A\$	A\$	A\$	A\$
6. Revenue from contracts with customers				
Sale of goods	24,374	9,084	113,774	37,152
(a) Disaggregation of revenue from contracts with customers				
The Group derives revenue from the transfer of goods as follows:				
Timing of revenue recognition				
At a point in time	24,374	9,084	113,774	37,152
Over time	-	-	-	-
	24,374	9,084	113,774	37,152
7. Income and expenses				
(a) Other income				
Research and development tax incentive	-	-	142,144	-
Interest income	46	355	697	1,523
Other income	-	5,670	-	34,136
Foreign exchange gains	25,328	-	25,328	13,600
	25,374	6,025	168,169	49,259
(b) Notable expenses				
<i>Employee benefit expenses include the following notable item:</i>				
Superannuation	140,124	74,948	397,629	228,156
<i>Other expenses include the following notable items:</i>				
Insurance	90,448	38,499	232,131	110,687
Filing fee expenses	14,478	15,206	119,868	41,022
Testing and quality control	66,697	8,391	145,073	44,358
Share registry expenses	3,326	3,249	36,730	33,504
Information technology expenses	27,722	19,593	82,191	52,440
Research and development expenses	74,629	46,796	95,918	79,519
Licensing and registration expenses	-	-	57,889	5,734
(c) Finance costs				
Foreign exchange losses	-	3,439	72,097	7,803
Interest expense – lease liabilities	25,716	16,231	71,226	21,772
Finance and other interest charges	2,397	661	7,374	4,137
	28,113	20,331	150,697	33,712

8. Income tax expense

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

9. Earnings per share

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

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

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

	Three months ended 31 March		Nine months ended 31 March	
	2023 A\$	2022 A\$	2023 A\$	2022 A\$
Basic and diluted EPS (cents)	(3.22)	2.42	(9.93)	(17.98)
Profit / (loss) attributable to ordinary equity holders of the Company for basic earnings – continuing operations	(2,633,818)	1,877,166	(7,974,292)	(13,534,329)
Profit / (loss) attributable to ordinary equity holders of the Company adjusted for the effect of dilution	(2,633,818)	1,877,166	(7,974,292)	(13,534,329)
	2023 Number	2022 Number	2023 Number	2022 Number

(a) Weighted average number of ordinary shares (“WANOS”)

WANOS used in basic and diluted EPS	81,805,717	77,703,832	80,344,564	75,257,198
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Items excluded from the diluted weighted average number of ordinary shares calculation as their effect would have been anti-dilutive:

	Number as at 31 March	
	2023	2022
Stock options	4,417,929	5,158,427
Warrants	4,273,450	2,970,227
Broker warrants	87,030	195,741
Restricted and performance share units	1,127,392	274,981
	9,905,801	8,599,376

Graphene Manufacturing Group Ltd
Notes to the unaudited condensed consolidated interim financial statements
For the three and nine months ended 31 March 2023 and 2022
(continued)

10. Property, plant and equipment

	Right-of-use ⁽ⁱ⁾	Property, plant and equipment			Total A\$
	Leased buildings A\$	Plant and equipment ⁽ⁱⁱ⁾ A\$	Leasehold improvements A\$	Capital work in progress A\$	
Cost					
At 30 June 2022	1,208,374	1,722,603	412,438	253,375	3,596,790
Additions	475,654	11,280	-	1,663,531	2,150,465
Disposals	-	-	-	(780)	(780)
Transfers	-	395,583	107,227	(502,810)	-
At 31 March 2023	1,684,028	2,129,466	519,665	1,413,316	5,746,475
Accumulated depreciation					
At 30 June 2022	134,264	1,285,276	15,076	-	1,434,616
Remeasurement	(134,264)	-	-	-	(134,264)
Depreciation	252,604	237,273	63,066	-	552,943
At 31 March 2023	252,604	1,522,549	78,142	-	1,853,295
Net book value					
At 30 June 2022	1,074,110	437,327	397,362	253,375	2,162,174
At 31 March 2023	1,431,424	606,917	441,523	1,413,316	3,893,180

- (i) Right-of-use ("ROU") asset recognised in respect of the Company's head office and warehouse leased premises in Brisbane, Australia, as disclosed in note 12, with the corresponding lease accounting policy as described in note 31 of the last annual financial statements for the year ended 30 June 2022.
- (ii) Plant and equipment cost includes \$24,246 of leased office equipment recognised as a ROU asset as the lease term exceeds 12 months.

11. Intangible assets

	Patents, trademarks and other rights A\$	Computer software A\$	Total A\$
	Cost		
At 30 June 2022	37,609	16,266	53,875
Additions	2,025,396	-	2,025,396
At 31 March 2023	2,063,005	16,266	2,079,271
Accumulated amortisation			
At 30 June 2022	16,459	4,753	21,212
Amortisation	258,699	2,442	261,141
At 31 March 2023	275,158	7,195	282,353
Net book value			
At 30 June 2022	21,150	11,513	32,663
At 31 March 2023	1,787,847	9,071	1,796,918

Graphene Manufacturing Group Ltd
Notes to the unaudited condensed consolidated interim financial statements
For the three and nine months ended 31 March 2023 and 2022
(continued)

	31 March 2023 A\$	30 June 2022 A\$
12. Lease liabilities		
Maturity analysis of contractual undiscounted cash flows:		
Within one year	354,987	193,758
Between one and five years	1,239,389	931,627
More than five years	-	84,729
	1,594,376	1,210,114

Lease liabilities included in the condensed consolidated interim statement of financial position:

Current	264,788	136,622
Non-current	1,102,837	897,627
	1,367,625	1,034,249

Right-of-use asset and lease liability

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

	31 March 2023 A\$	30 June 2022 A\$
13. Financial liabilities		
Warrant liabilities:		
Traded warrants	989,861	2,919,815
Non-traded warrants	2,152,632	1,490,549
	3,142,493	4,410,364
Transaction costs	(498,188)	-
Carrying amount of warrant liabilities	2,644,305	4,410,364

(a) Warrant liability

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

The changes in the Company's outstanding warrant liability during the nine month period ended 31 March 2023 and 2022 were as follows:

	2023 A\$	2022 A\$
At 1 July	4,410,364	2,188,625
Issued during the period	3,445,656	3,634,424
Exercised	(1,646,702)	(5,580,391)
Expired	-	-
Fair value adjustment	(3,066,825)	8,010,651
At 31 March	3,142,493	8,253,309

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

13. Financial liabilities (continued)

(a) Warrant liability (continued)

Non-traded warrants

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

	31 March 2023	30 June 2022
Share price	C\$1.94	C\$2.73
Exercise price	C\$2.60 – C\$3.35	C\$1.00 – C\$2.60
Expected volatility	79.6%	79.6%
Expected life (years)	1.43 – 3.67	0.29 – 2.18
Risk-free interest rate	2.94% - 2.97%	2.73% - 3.16%

Traded warrants

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

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

Once trading of the warrants commenced, the quoted market trading data on the TSXV was available for use as a Level 1 input to determine the fair value. At 31 March 2023 the fair value of traded warrants was based on the market price of C\$0.45 per warrant at the end of the reporting period.

Graphene Manufacturing Group Ltd
Notes to the unaudited condensed consolidated interim financial statements
For the three and nine months ended 31 March 2023 and 2022
(continued)

14. Share capital

	Nine months ended 31 March			
	2023	2023	2022	2022
Note	Number	A\$	Number	A\$
Ordinary shares	81,815,940	37,939,086	77,999,681	31,404,527
(a) Movement in ordinary shares				
At 1 July	78,764,797	32,406,981	69,545,092	13,851,483
Shares issued – Marketed Offering	-	-	5,635,000	8,903,056
Shares issued – Private Placement	-	-	425,000	791,248
Shares issued – OzKem Transaction (i)	125,207	500,000	-	-
Shares issued – Bought Deal Offering (ii)	2,091,850	2,882,287	-	-
Share options exercised (iii)	37,348	22,781	580,652	273,358
Warrants exercised (iv)	727,246	934,698	1,813,937	9,142,838
RSUs exercised (iv)	69,492	-	-	-
Transaction costs for issued shares	-	(454,363)	-	(1,557,456)
	81,815,940	36,292,384	77,999,681	31,404,527
Share capital warrant premium	-	1,646,702	-	-
At 31 March	81,815,940	37,939,086	77,999,681	31,404,527

(i) *Share issue - OzKem Transaction*

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

(ii) *Share issue – Bought Deal Offering*

On November 30, 2022, GMG completed its bought deal prospectus offering of units (the “**Units**”) of the Company, including exercise in full of the over-allotment option (the “**Offering**”). A total of 2,091,850 Units were sold at a price of C\$2.75 per Unit (the “**Offering Price**”) for gross proceeds of approximately C\$5.75 million. Each Unit is comprised of one ordinary share in the capital of the Company (each, an “**Ordinary Share**”) and one Ordinary Share purchase warrant (each, a “**Warrant**”). Each Warrant entitles the holder to purchase one Ordinary Share at C\$3.35 at any time until November 30, 2026.

(iii) *Share options exercised*

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

(iv) *Warrants exercised*

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

(v) *Restricted share units (RSUs) exercised*

Shares issued upon the exercise of RSUs allocated under the Amended Restricted Share Unit and Performance Share Stock Option Plan detailed in note 16(a).

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14. Share capital (continued)

(b) Warrants

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

Issue date	Expiry date	Exercise price	31 March 2023	30 June 2022
24 March 2021	24 September 2022	C\$0.65	-	40,050
13 April 2021	13 October 2022	C\$1.00	-	621,377
2 September 2021	2 September 2024	C\$2.60	1,994,100	1,996,100
2 September 2021	2 September 2024	C\$2.05	16,180	18,718
2 September 2021	2 September 2024	C\$2.60	187,500	187,500
2 September 2021	2 September 2024	C\$2.14	5,760	5,760
9 November 2021	2 September 2024	C\$2.60	2,335	62,347
30 November 2022	30 November 2026	C\$3.35	2,091,850	-
30 November 2022	30 November 2024	C\$2.75	62,755	-
Total			4,360,480	2,931,852

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

	Nine months ended 31 March			
	2023 WAEP	2023 Number	2022 WAEP	2022 Number
Outstanding at 1 July	\$2.51	2,931,852	\$0.53	1,699,930
Issued	\$3.66	2,155,874	\$2.77	3,279,975
Exercised	\$1.27	(727,246)	\$1.96	(1,813,937)
Outstanding at 31 March	\$3.26	4,360,480	\$2.29	3,165,968

There were no warrants forfeited or expired since the end of the last reporting year ended 30 June 2022 and during the nine month period ended 31 March 2023.

15. Reserves

	31 March 2023 A\$	30 June 2022 A\$
Share-based payment reserve	2,971,666	1,368,903
Warrants reserve	610,133	433,990
	3,581,799	1,802,893

(a) Movements in reserves

	Share-Based Payment A\$	Warrants A\$	Total A\$
At 30 June 2022	1,368,903	433,990	1,802,893
Stock option plan expense	4,754	-	4,754
RSUs expense	1,572,186	-	1,572,186
PSUs expense	25,823	-	25,823
Warrants issued	-	176,143	176,143
At 31 March 2023	2,971,666	610,133	3,581,799

16. Share-based payments

(a) Stock option plan and Share Incentive Plan

Amendments to the stock option plan (established 19 September 2018) and the Share Incentive Plan (established 25 November 2021) were approved by resolutions of shareholders on 25 November 2022. The plans are designed to provide eligible participants with an opportunity to share in the ownership of the Company in order to:

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

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

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

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

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

Equity settled

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

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

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

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

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16. Share-based payments (continued)

(c) Reconciliation of outstanding share options

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

Grant date	Expiry date	Exercise price ⁽ⁱ⁾	31 March 2023 ⁽ⁱ⁾	30 June 2022 ⁽ⁱ⁾
6 November 2018	4 November 2025	\$0.36	2,222,654	2,222,654
18 February 2019	16 February 2026	\$0.61	220,000	220,000
15 March 2019	13 March 2026	\$0.61	200,000	200,000
20 March 2019	18 March 2026	\$0.61	29,326	29,326
12 May 2019	10 May 2026	\$0.61	-	37,348
2 December 2019	30 November 2026	\$0.42	440,000	440,000
6 April 2020	5 April 2027	\$0.61	29,326	29,326
21 April 2020	20 April 2027	\$0.61	285,000	285,000
23 December 2020	22 December 2027	\$0.82	711,150	868,648
12 March 2021	10 March 2028	\$0.94	29,348	44,000
15 April 2021	12 March 2024	C\$0.4963	151,125	151,125
16 April 2021	15 April 2024	C\$1.00	100,000	100,000
Total			4,417,929	4,627,427

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

	Nine months ended 31 March			
	2023 WAEP ⁽ⁱ⁾	2023 Number	2022 WAEP ⁽ⁱ⁾	2022 Number
Outstanding at 1 July	\$0.52	4,627,427	\$0.53	5,739,079
Exercised	\$0.61	(37,348)	\$0.47	(580,652)
Forfeited	\$0.83	(172,150)	-	-
Outstanding at 31 March	\$0.51	4,417,929	\$0.53	5,158,427
Exercisable at 31 March	\$0.50	4,240,213	\$0.48	4,004,431

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

There were no options granted or expired since the end of the last reporting year ended 30 June 2022 and during the nine month period ended 31 March 2023.

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Notes to the unaudited condensed consolidated interim financial statements
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(continued)

16. Share-based payments (continued)

(d) Reconciliation of outstanding broker warrants

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

Issue date	Expiry date	Exercise price	31 March 2023	30 June 2022
24 March 2021	24 September 2022	C\$0.65	-	40,050
2 September 2021	2 September 2024	C\$2.05	16,180	18,718
2 September 2021	2 September 2024	C\$2.14	5,760	5,760
9 November 2021	2 September 2024	C\$2.60	2,335	62,347
30 November 2022	30 November 2024	C\$2.75	62,755	-
Total			87,030	126,875

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

	Nine months ended 31 March			
	2023 WAEP	2023 Number	2022 WAEP	2022 Number
Outstanding at 1 July	\$2.12	126,875	\$0.70	161,430
Issued	\$3.02	64,024	\$2.39	249,975
Exercised	\$2.00	(103,869)	\$1.86	(215,664)
Outstanding at 31 March	\$2.84	87,030	\$1.59	195,741

There were no broker warrants forfeited or expired since the end of the last reporting year ended 30 June 2022 and during the nine month period ended 31 March 2023.

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

16. Share-based payments (continued)

(e) Reconciliation of outstanding RSUs and PSUs

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

Grant date	Expiry date	Plan Type	31 March 2023	30 June 2022
20 October 2021 ⁽ⁱ⁾	23 December 2023	RSU	-	-
20 October 2021 ⁽ⁱ⁾	18 July 2023	RSU	14,528	-
20 October 2021 ⁽ⁱ⁾	20 October 2026	RSU	76,875	181,960
20 October 2021	20 October 2026	PSU	77,359	77,359
5 December 2021	5 December 2026	RSU	15,662	15,662
14 September 2022	14 September 2027	RSU	401,227	-
20 September 2022	20 September 2027	RSU	253,651	-
12 October 2022	12 October 2027	RSU	36,186	-
14 October 2022	14 October 2027	RSU	7,306	-
20 October 2022	20 October 2027	RSU	189,138	-
21 October 2022	21 October 2027	RSU	20,952	-
27 October 2022	27 October 2027	PSU	34,508	-
Total			1,127,392	274,981

(i) The vesting and expiry dates for 38,740 RSUs granted on 20 October 2021, with an original expiry date of 20 October 2026, were accelerated following the approval of the amendments by the Board.

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

	Nine months ended 31 March			
	2023 WASP ⁽ⁱⁱ⁾	2023 Number	2022 WAEP	2022 Number
RSUs				
Outstanding at 1 July	\$6.24	197,622	-	-
Granted	\$4.20	962,001	\$6.24	197,623
Exercised	\$6.28	(69,492)	-	-
Forfeited	\$4.79	(74,606)	-	-
Outstanding at 31 March	\$4.41	1,015,525	\$6.24	197,622
Exercisable at 31 March	\$6.28	25,061	-	-
PSUs				
Outstanding at 1 July	\$6.28	77,359	-	-
Granted	\$3.62	34,508	\$6.28	77,359
Outstanding at 31 March	\$5.46	111,867	\$6.28	77,359
Exercisable at 31 March	-	-	-	-

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

Since the end of the last reporting year ended 30 June 2022 and during the nine month period ended 31 March 2023 there were no:

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

16. Share-based payments (continued)

(f) Fair value measurement of options and warrants granted

The assessed fair value of options granted during the nine months ended 31 March 2023 was nil (year ended 30 June 2022: nil). The assessed fair value of warrants issued during the nine months ended 31 March 2023 was \$176,143 (year ended 30 June 2022: \$408,367).

The fair value of options and warrants (excluding Compensation Warrants) at grant date is determined using a Black-Scholes Model (BSM) 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 nine months ended 31 March 2023, and the year ended 30 June 2022, were calculated using the exercise price, grant date and expiry date as per above with the following weighted average assumptions:

On initial recognition using BSM	Options		Warrants	
	31 March 2023	30 June 2022	31 March 2023	30 June 2022
Share price at grant date	-	-	-	\$3.19
Expected volatility	-	-	-	61%
Risk-free interest rate	-	-	-	0.18%

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

Compensation Warrants

For the Compensation Warrants issued on 30 November 2022 that contain a second level of warrants upon exercise of the first level, the Monte Carlo Simulation (MCS) Methodology has been used to determine the fair value of each level, that takes into account the exercise price, the term of the warrant, the market price of a share at grant date, the price volatility of the underlying share and the risk-free rate for the term of the warrant.

The fair value of Compensation Warrants issued during the nine months ended 31 March 2023, was calculated using the following assumptions:

On initial recognition using MCS	Compensation Warrants ⁽ⁱ⁾	
	Level 1	Level 2
Share price at grant date	C\$2.70	Not applicable
Exercise price	C\$2.75	C\$3.35
Term	2 years	4 years
Risk-free rate	3.914%	3.408%
Dividend yield	-	-
Volatility (rounded)	80%	80%

- (i) 62,755 broker warrants were issued on 30 November 2022 in respect of the Bought Deal Offering completed, as detailed in Note 14(a)(ii). The warrants have two levels of value whereby upon exercise, each initial warrant (Level 1) grants its holder an ordinary share in the Company, as well as a second warrant (Level 2). The Level 2 warrants entitle the holder to purchase an additional ordinary share in the Company at a new exercise price as listed in the table.

16. Share-based payments (continued)

(g) Fair values of RSUs and PSUs granted

The assessed fair value of RSUs and PSUs granted during the nine months ended 31 March 2023 was \$4,164,189 (year ended 30 June 2022: \$1,692,837) and is based on the Company's share price on the date of grant.

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

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

The fair value of RSUs and PSUs granted during the nine months ended 31 March 2023, and the year ended 30 June 2022, was calculated at the grant date based on the following weighted average assumptions:

On initial recognition	RSUs		PSUs	
	31 March 2023	30 June 2022	31 March 2023	30 June 2022
Share price at grant date	\$4.20 ⁽ⁱ⁾	\$6.24 ⁽ⁱⁱ⁾	\$3.62 ⁽ⁱⁱⁱ⁾	\$6.28 ⁽ⁱⁱ⁾

- (i) The fair value of RSUs granted during the nine month period ended 31 March 2023, was based on the share price on 25 August 2022 and 2 September 2022 in accordance with employment agreement terms and the Share Incentive Plan.
- (ii) The fair value of RSUs and PSUs granted on 20 October 2021, was based on the share price at the date on which shareholder approval was obtained for the Company's Share Incentive Plan, at the Annual General Meeting held on 25 November 2021 (Eastern Standard Time).
- (iii) The fair value of PSUs granted during the nine month period ended 31 March 2023, was based on the share price on 24 February 2022 in accordance with employment agreement terms and the Share Incentive Plan.

17. Commitments and contingencies

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

18. Subsequent events

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

(a) Joint Development Agreement

On 17 May 2023, GMG and Rio Tinto signed a binding Joint Development Agreement ("JDA") with the goal of accelerating the development and application of GMG's Graphene Aluminium-Ion batteries in the mining and minerals industry. Rio Tinto will contribute technical and operational performance criteria and up to A\$6 million, in exchange for preferential access rights.