

Graphene Manufacturing Group Ltd

ACN 614 164 877

**Unaudited Condensed interim financial statements for the
Three months ended 30 September 2023 & 2022**

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Corporate information

The unaudited condensed interim financial statements of Graphene Manufacturing Group Ltd (“**GMG**” or the “**Company**”) for the three months ended 30 September 2023 & 2022 were authorised for issue in accordance with a resolution of the directors on 24 November 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 reviewed 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
Robert Shewchuk
William Ollerhead
Emma FitzGerald
Frederick Kotzee (Resigned 31 July 2023)
Robert Galyen (Appointed 1 July 2023)
Andrew Small (Appointed 31 July 2023)
Jack Perkowski (Appointed 7 September 2023)

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
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Auditors

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

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

	Note	Three months ended 30 September	
		2023 A\$	2022 A\$
Revenue	7	103,717	85,890
Other income	8(a)	766,797	142,639
Employee benefit expenses	8(b)	(1,763,315)	(1,566,796)
Professional and consulting fees	8(b)	(1,050,005)	(433,111)
Depreciation and amortisation expense	13,14	(375,987)	(217,465)
Travel expenses		(138,988)	(78,115)
Raw materials and production inputs		(40,537)	(25,203)
Occupancy and utilities expenses		(95,469)	(83,832)
Factory costs		(97,220)	(99,442)
Share based payments expense		(193,068)	(278,550)
Other expenses	8(b)	(316,769)	(283,449)
Finance costs	8(c)	(32,438)	(28,289)
Gain / (loss) on change in fair value of warrants	17(a)	2,180,577	(692,910)
Profit / (loss) before income tax		(1,052,705)	(3,558,633)
Income tax expense	9	-	-
Profit / (loss) for the period		(1,052,705)	(3,558,633)
Other comprehensive income (OCI)			
Foreign currency translation differences		-	-
Net OCI that may be reclassified to profit or loss in subsequent periods		-	-
OCI for the period, net of tax		-	-
Total comprehensive profit / (loss) for the period		(1,052,705)	(3,558,633)
Earnings / (loss) per share attributable to the ordinary equity holders of the Company:			
Basic and diluted (cents)	10	(1.27)	(4.51)
Weighted average number of ordinary shares outstanding (Basic and diluted)	10	83,220,787	78,915,842

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

Graphene Manufacturing Group Ltd
Unaudited Condensed Interim Statement of Financial Position
As at 30 September 2023 and 30 June 2023

Unaudited Condensed Interim Statement of Financial Position

	Note	30 September 2023 A\$	30 June 2023 A\$
ASSETS			
Current assets			
Cash and cash equivalents	11	4,577,888	4,647,644
Trade and other receivables	12	1,890,149	1,860,151
Contract assets	7(b)	12,775	14,728
Inventories		492,220	360,927
Research and development grants receivables		2,579,757	2,579,757
Other current assets		431,648	392,107
		9,984,437	9,855,314
Non-current assets			
Property, plant and equipment	13	5,506,858	4,384,881
Intangible assets	14	1,612,641	1,716,451
		7,119,499	6,101,332
Total assets		17,103,936	15,956,646
LIABILITIES			
Current liabilities			
Trade and other payables	15	2,859,309	2,821,312
Contract liabilities	7(b)	93,950	126,000
Lease liabilities	16	409,670	272,999
Financial liabilities	17	992,981	2,571,397
Employee benefit liabilities		224,529	218,735
Provisions		18,916	18,916
		4,599,355	6,029,359
Non-current liabilities			
Lease liabilities	16	1,065,679	1,032,604
Employee benefit liabilities		43,553	-
Provisions		250,000	200,000
		1,359,232	1,232,604
Total liabilities		5,958,587	7,261,963
Net assets		11,145,349	8,694,683
EQUITY			
Share capital	18	33,610,227	30,471,505
Share capital warrant premium	18	7,618,373	7,618,373
Reserves	19	4,402,818	4,038,170
Accumulated losses		(34,486,069)	(33,433,365)
Total equity		11,145,349	8,694,683

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

Graphene Manufacturing Group Ltd
Unaudited Condensed Interim Statement of Changes in Equity
For the three months ended 30 September 2023 & 2022

Unaudited Condensed Interim Statement of Changes in Equity

	Note	Share capital A\$	Reserves A\$	Accumulated losses A\$	Total equity A\$
Balance at 1 July 2022		32,406,981	1,802,893	(24,109,700)	10,100,174
Loss for the period		-	-	(3,558,633)	(3,558,633)
Other comprehensive income		-	-	-	-
Total comprehensive loss for the period		-	-	(3,558,633)	(3,558,633)
Transactions with owners of the Company					
Shares issued		500,000	-	-	500,000
Share options and warrants exercised		214,391	-	-	214,391
Share capital warrant premium		359,541	-	-	359,541
Share based payments		-	278,550	-	278,550
		1,073,932	278,550	-	1,352,482
Balance at 30 September 2022		33,480,913	2,081,443	(27,668,333)	7,894,023
Balance at 1 July 2023					
		38,089,878	4,038,170	(33,433,365)	8,694,683
Loss for the period		-	-	(1,052,705)	(1,052,705)
Other comprehensive income		-	-	-	-
Total comprehensive loss for the period		-	-	(1,052,705)	(1,052,705)
Transactions with owners of the Company					
Shares issued	18	3,754,423	-	-	3,754,423
Transaction costs on issued shares	18	(661,450)	-	-	(661,450)
Share options and warrants exercised	18	45,750	-	-	45,750
Share capital warrant premium	18	-	-	-	-
Share based payments	19(a)	-	364,648	-	364,648
		3,138,722	364,648	-	3,503,370
Balance at 30 September 2023		41,228,600	4,402,818	(34,486,069)	11,145,349

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

Graphene Manufacturing Group Ltd
Unaudited Condensed Interim Statement of Cash Flows
For the three months ended 30 September 2023 & 2022

Unaudited Condensed Interim Statement of Cash Flows

	Note	Three months ended 30 September	
		2023 A\$	2022 A\$
Operating activities			
Receipts from customers and government subsidies		1,746,648	107,930
Payments to suppliers and employees		(4,007,718)	(2,765,942)
Interest received		3,881	495
Interest paid		(27,426)	(18,970)
Net cash used in operating activities		(2,284,615)	(2,676,487)
Investing activities			
Acquisition of property, plant and equipment	13	(1,075,589)	(315,040)
Acquisition of intangibles	14	(500)	(1,007,102)
Net cash used in investing activities		(1,076,089)	(1,322,142)
Financing activities			
Proceeds from issue of shares	18(a)	3,254,423	-
Proceeds from issue of share warrants	17(a)	707,281	-
Proceeds from exercise of share options	18(a)	45,750	22,781
Proceeds from exercise of share warrants	18(a)	-	191,610
Share issue transaction costs		(633,623)	-
Payment of lease liabilities		(98,319)	(67,485)
Net cash from financing activities		3,275,512	146,906
Net increase / (decrease) in cash and cash equivalents		(85,192)	(3,851,723)
Cash and cash equivalents at 1 July		4,647,644	12,258,018
Net foreign exchange difference on cash held		15,436	-
Cash and cash equivalents at 30 September		4,577,888	8,406,295

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

1. Reporting entity

Graphene Manufacturing Group Ltd (“**GMC**” or the “**Company**”) 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 interim financial statements (“interim financial statements”) as at 30 September 2023 and for the three months ended 30 September 2023 & 2022 have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (“**IASB**”), and should be read in conjunction with the Company’s last annual financial statements as at and for the year ended 30 June 2023 (“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 Company’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 24 November 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 three month period ended 30 September 2023, the Company incurred a loss of \$1,052,705 after income tax and net cash used in operating activities of \$2,284,615. At 30 September 2023, the Company had net current assets of \$5,385,082.

The ability of the Company 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 Company. This is required to continue its ongoing development and commercialisation of energy saving and energy storage solutions and to meet the Company’s working capital requirements.

These conditions give rise to material uncertainty which may cast significant doubt over the Company’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 30 September 2023, the Company had cash on hand of \$4,577,888, which is anticipated to be sufficient to meet the ongoing corporate costs and expected project expenditure in the short to medium term;
- As at 30 September, 2023 the Company had accrued a claim for \$2,579,757 under the Australian Government’s Research & Development tax incentive scheme which was subsequently paid to the Company on 22 October, 2023;
- As at the date of this report there are 4,246,233 options and 5,496,951 warrants on issue with exercise prices ranging from AUD\$0.36 to AUD\$3.73. If exercised these could raise up to \$19,766,321 in additional capital;

2. Basis of preparation (continued)

(a) Going concern (continued)

- On 17 May 2023, GMG and Rio Tinto signed a binding Joint Development Agreement (“JDA”) where subject to the terms and conditions of the agreement, Rio Tinto will contribute technical and operational performance criteria and up to \$6 million, in exchange for preferential access rights (the first two payments totalling \$3.30million (GST Inclusive) have been received as at the date of this report, with the second \$1.65M being received 6 October 2023), and
- To the extent required, the Company has capacity under the TSXV Listing Rules to raise further funds through the issue or placement of securities and currently has a Base Shelf Prospectus readily available on SEDAR+ for this purpose. As an example in August 2023 C\$3.45m (gross) was raised via an overnight marketed offering.

Should the Company 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 statements. These financial statements do 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 Company be unable to continue as a going concern.

3. Functional and presentation currency

These interim 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.

4. Use of judgements and estimates

In preparing these interim financial statements, management has made judgements and estimates that affect the application of the Company’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 Company’s accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements.

5. 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 Company’s last annual financial statements for the year ended 30 June 2023. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

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 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
Unaudited Condensed Interim Statement of Cash Flows
For the three months ended 30 September 2023 & 2022

	2023	2022
	A\$	A\$
7. Revenue from contracts with customers		
Sale of goods	39,617	85,890
Services	64,100	-
	103,717	85,890

(a) Disaggregation of revenue from contracts with customers

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

Timing of revenue recognition

At a point in time	39,617	85,890
Over time	64,100	-
	103,717	85,890

(b) Contract balances

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers.

A\$	September 2023	September 2022
Receivables, which are included in 'trade and other receivables'	121,125	13,829
Contract assets	12,775	-
Contract liabilities	(93,950)	-

The contract assets primarily relate to the Company's rights to consideration for work completed but not billed at the reporting date.

A\$	Contract assets		Contract liabilities	
	September 2023	September 2022	September 2023	September 2022
At 1 July 2023	14,728	-	(126,000)	-
Revenue recognised from contracts in progress	12,775	-	-	-
Transfers from contract assets to trade receivables	(14,728)	-	-	-
Amounts included in contract liabilities that was recognised as revenue during the period	-	-	36,000	-
Unearned revenue recognised where performance obligation is pending completion	-	-	(3,950)	-
At 30 September	12,775	-	(93,950)	-

No information is provided about remaining performance obligations at 30 September 2023 and 2022 that have an original expected duration of one year or less, as allowed by IFRS 15.

Graphene Manufacturing Group Ltd
Unaudited Condensed Interim Statement of Cash Flows
For the three months ended 30 September 2023 & 2022

8. Income and expenses

	2023	2022
(a) Other income	A\$	A\$
Research and development tax incentive	-	142,144
Joint development income	750,000	-
Foreign exchange gains	12,887	-
Interest income	3,881	495
Other income	29	-
	766,797	142,639

Other income is recognised using the methods outlined below:

Joint development income

Joint development income relates to income received as a result of collaboration agreements where the Company has agreed to work collaboratively with another entity to develop or improve energy storage solutions over a period of time. Income is recognised on a straight-line basis over the collaboration period. Year to date GMG has received \$1.5M (net) of this income, recorded as deferred income and recognised proportionately over the agreement term. (see note 15).

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 Company will comply with all attached conditions.

Interest income

Interest income is recognised using the effective interest method.

(b) Notable expenses

Employee benefit expenses include the following notable item:

Superannuation	144,134	122,692
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Other expenses include the following notable items:

Filing fee expenses	39,459	72,145
Information technology expenses	40,834	27,172
Insurance	90,146	53,695
Licensing and registration expenses	255	54,215
Marketing	8,924	1,002
Research and development expenses	-	10,644
Share registry and other listing expenses	8,207	6,077
Testing and quality control	45,009	40,364
Transaction costs – financial instruments	38,632	-

Professional and consulting fees include the following notable items:

Accounting, Audit and Tax advisory fees	64,733	16,434
Investor relations costs	130,508	156,171
Engineering consultants and other contractors	767,715	153,936
Legal expenses	87,049	106,570

(c) Finance costs

Interest expense – lease liabilities	27,427	18,574
Foreign exchange losses	-	8,455
Finance and other interest charges	5,011	1,260
	32,438	28,289

9. 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.

10. 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 30 September	
	2023	2022
	A\$	A\$
Basic and diluted EPS (cents)	(1.27)	(4.51)
Profit / (loss) attributable to ordinary equity holders of the Company for basic earnings – continuing operations	(1,052,705)	(3,558,633)
Profit / (loss) attributable to ordinary equity holders of the Company adjusted for the effect of dilution	(1,052,705)	(3,558,633)
	2023	2022
	Number	Number
(a) Weighted average number of ordinary shares (“WANOS”)		
WANOS used in basic and diluted EPS	83,220,787	78,915,842

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

	Number as at 30 September	
	2023	2022
Stock options	4,246,233	4,498,559
Warrants	5,288,156	2,672,600
Broker warrants	208,795	84,287
Restricted and performance share units	779,205	982,479
	10,522,389	8,237,925

Graphene Manufacturing Group Ltd
Unaudited Condensed Interim Statement of Cash Flows
For the three months ended 30 September 2023 & 2022

	30 September 2023 A\$	30 June 2023 A\$
11. Cash and cash equivalents		
Cash at bank	4,286,428	4,435,432
Term deposits	291,460	212,212
	4,577,888	4,647,644

	30 September 2023 A\$	30 June 2023 A\$
12. Trade and other receivables		
Trade and other receivables ⁽ⁱ⁾⁽ⁱⁱ⁾	1,800,566	1,817,619
Goods and services tax receivable	89,583	42,532
	1,890,149	1,860,151

- (i) Other receivables at 30 June 2023 include \$1.65m relating to Joint Development income, received 17 July 2023.
(ii) Other receivables at 30 September 2023 include \$1.65m relating to Joint Development income.

13. Property, plant and equipment

	Right-of-use ⁽ⁱ⁾⁽ⁱⁱ⁾	Property, plant and equipment			
	Leased buildings A\$	Plant and equipment ⁽ⁱⁱⁱ⁾ A\$	Leasehold improvements A\$	Capital work in progress A\$	Total A\$
Cost					
At 30 June 2023	1,684,028	2,360,358	535,595	1,897,088	6,477,069
Additions	318,065	-	-	1,075,589	1,393,654
Transfers	-	715,231	141,716	(856,947)	-
At 30 September 2023	2,002,093	3,075,589	677,311	2,115,730	7,870,723
Accumulated depreciation					
At 30 June 2023	336,806	1,655,382	100,000	-	2,092,188
Depreciation	123,960	124,123	23,594	-	271,677
At 30 September 2023	460,766	1,779,505	123,594	-	2,363,865
Net book value					
At 30 June 2023	1,347,222	704,976	435,595	1,897,088	4,384,881
At 30 September 2023	1,541,327	1,296,084	553,717	2,115,730	5,506,858

- (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 16, with the corresponding lease accounting policy as described in note 29 of the last annual financial statements for the year ended 30 June 2023.
(ii) Right-of-use ("ROU") asset recognised in respect of the additional office space and Q&A testing laboratories leased premises in Brisbane, Australia, as disclosed in note 16, with the corresponding lease accounting policy as described in note 29 of the last annual financial statements for the year ended 30 June 2023.
(iii) Plant and equipment cost includes \$24,246 of leased office equipment recognised as a ROU asset as the lease term exceeds 12 months.

Graphene Manufacturing Group Ltd
Unaudited Condensed Interim Statement of Cash Flows
For the three months ended 30 September 2023 & 2022

14. Intangible assets

	Patents, trademarks and other rights A\$	Computer software A\$	Total A\$
Cost			
At 30 June 2023	2,066,176	35,111	2,101,287
Additions	500	-	500
At 30 September 2023	2,066,676	35,111	2,101,787
Accumulated amortisation			
At 30 June 2023	376,530	8,306	384,836
Amortisation	102,540	1,770	104,310
At 30 September 2023	479,070	10,076	489,146
Net book value			
At 30 June 2023	1,689,646	26,805	1,716,451
At 30 September 2023	1,587,606	25,035	1,612,641

15. Trade and other payables

	30 September 2023 A\$	30 June 2023 A\$
Trade payables	416,409	244,679
Accrued expenses	418,765	604,756
Other payables	149,135	846,877
Deferred income (See note 7(a) – Joint development income)	1,875,000	1,125,000
	2,859,309	2,821,312

16. Lease liabilities

Maturity analysis of contractual undiscounted cash flows:

	30 September 2023 A\$	30 June 2023 A\$
Within one year	507,254	357,990
Between one and five years	1,169,575	1,149,891
More than five years	-	-
	1,676,829	1,507,881

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

Current	409,670	272,999
Non-current	1,065,679	1,032,604
	1,475,349	1,305,603

16. Lease liabilities (Continued)

Right-of-use asset and lease liability

In July 2023, the Company commenced a new lease for additional office space at the existing head office location in Brisbane Australia for a two-year lease agreement including QA testing laboratories. A right of use asset of \$318,065 has been recognised as disclosed in note 10, assessed on its two-year lease term, which is subject to annual review. A corresponding lease liability of \$268,065 has been recognised together with a provision of make good for \$50,000.

	30 September 2023	30 June 2022
Note	A\$	A\$
17. Financial liabilities		
Warrant liabilities:		
Traded warrants	851,089	1,132,948
Non-traded warrants	711,367	1,902,804
	17(a) 1,562,456	3,035,752
Transaction costs	(569,475)	(464,355)
Carrying amount of warrant liabilities	992,981	2,571,397

(a) Warrant liability

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

The changes in the carrying amounts of the Company's outstanding warrant liability during the three month period ended 30 September 2023 and 2022 were as follows:

	2023 A\$	2022 A\$
At 1 July	3,035,752	4,410,364
Issued during the period	707,281	-
Exercised	-	(359,541)
Expired	-	-
Fair value adjustment	(2,180,577)	692,910
At 30 September	1,562,456	4,743,733

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

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:

	30 September 2023	30 June 2023
Share price	C\$1.52	C\$2.34
Exercise price	C\$2.60 – C\$3.35	C\$2.60 – C\$3.35
Expected volatility	55.0%	55.0%
Expected life (years)	0.93 – 3.17	1.18 – 3.42
Risk-free interest rate	4.08% - 4.11%	4.03% - 4.18%

17. Financial liabilities (continued)

(a) Warrant liability (continued)

Traded warrants

The Marketed Offering Warrants issued on 2 September 2021 commenced trading on the TSXV on 9 September 2021 under the ticker GMG.WT. 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 30 September 2023 the fair value of traded warrants was based on the market price of C\$0.19 per warrant at the end of the reporting period.

The Marketed Offering Warrants issued on 16 August 2023 commenced trading on the TSXV on 21 August 2023 under the ticker GMG.WT.A . 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\$1.62
Exercise price	C\$2.20
Expected volatility	55%
Expected life (years)	4
Risk-free interest rate	3.91%

Once trading of the warrants commenced, the quoted market trading data on the TSXV was available for use as a Level 1 input to determine the fair value. At 30 September 2023 the fair value of traded warrants was based on the market price of C\$0.37 per warrant at the end of the reporting period.

Graphene Manufacturing Group Ltd
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18. Share capital

	Three months ended 30 September				
	Note	2023 Number	2023 A\$	2022 Number	2022 A\$
Ordinary shares		79,103,586	33,480,913	79,103,586	33,480,913
(a) Movement in ordinary shares					
At 1 July		82,044,234	38,089,878	78,764,797	32,406,981
Shares issued – Marketed Offering	(i)	2,029,412	3,254,423	-	-
Shares issued – OzKem Transaction	(ii)	125,206	500,000	125,207	500,000
Share options exercised	(iii)	75,000	45,750	37,348	22,781
Warrants exercised	(iv)	-	-	176,234	191,610
RSUs exercised	(v)	172,914	-	-	-
Transaction costs for issued shares		-	(661,450)	-	-
		84,446,766	41,228,600	79,103,586	33,121,372
Share capital warrant premium		-	-	-	359,541
At 30 September		84,446,766	41,228,600	79,103,586	33,480,913

(i) Share issue – Marketed Offering

On August 16, 2023, GMG completed a 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 2,029,412 Offering Units were sold at a price of C\$1.70 per Offering Unit (the “**Offering Price**”) for gross proceeds of approximately C\$3.45 million. Each Offering Unit is comprised of one ordinary share in the capital of the Company (each, an “**Ordinary Share**”) and one-half of an Ordinary Share purchase warrant (each, an “**Offering Warrant**”). Each Offering Warrant entitles the holder to purchase one Ordinary Share at C\$2.20 at any time until August 16, 2027.

The TSX Venture Exchange also accepted for listing the 1,014,706 Offering Warrants underlying the Offering Units issued pursuant to the Offering. GMG share warrants trade on TSXV under the ticker “GMG.WT.A”.

(ii) 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 issued an additional 125,206 Shares (the “Additional Shares”) to OzKem, upon successful commercial batch blend of the THERMAL XR® produced by GMG on 28 August 2023.

(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 18(b).

(v) Restricted share units (“RSUs”) exercised

Shares issued upon the exercise of RSUs detailed in note 20(b).

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18. Share capital (continued)

(b) Warrants

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

Issue date	Expiry date	Exercise price	30 September 2023	30 June 2023
2 September 2021	2 September 2024	C\$2.60	1,994,100	1,994,100
2 September 2021	2 September 2024	C\$2.05	16,180	16,180
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	2,335
30 November 2022	30 November 2026	C\$3.35	2,091,850	2,091,850
30 November 2022	30 November 2024	C\$2.75	62,755	62,755
16 August 2023	16 August 2027	C\$2.20	1,014,706	-
16 August 2023	16 August 2026	C\$1.70	121,765	-
Total			5,496,951	4,360,480

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

	Three months ended 30 September			
	2023 WAEP	2023 Number	2022 WAEP	2022 Number
Outstanding at 1 July	\$3.36	4,360,480	\$2.51	2,931,852
Granted	\$2.47	1,136,471	\$2.85	1,269
Exercised	-	-	\$1.09	(176,234)
Outstanding at 30 September	\$3.19	5,496,951	\$2.60	2,756,887

There were no warrants forfeited or expired since the end of the last reporting year ended 30 June 2023 and during the three month period ended 30 September 2023.

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19. Reserves

	30 September 2023 A\$	30 June 2023 A\$
Share-based payment reserve	3,621,105	3,428,037
Warrants reserve	781,713	610,133
	4,402,818	4,038,170

(a) Movements in reserves

	Share-Based Payment A\$	Warrants A\$	Total A\$
At 30 June 2023	3,428,037	610,133	4,038,170
Stock option plan expense	66,809	-	66,809
RSUs expense	126,259	-	126,259
PSUs expense	-	-	-
Warrants issued	-	171,580	171,580
At 30 September 2023	3,621,105	781,713	4,402,818

20. 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.

20. Share-based payments (continued)

(b) Restricted share units (“RSUs”) and performance share units (“PSUs”) (continued)

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.

(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	30 September 2023	30 June 2023
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	75,000	150,000
20 March 2019	18 March 2026	\$0.61	29,326	29,326
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	564,454	564,454
12 March 2021	10 March 2028	\$0.94	29,348	29,348
15 April 2021	12 March 2024	C\$0.50	151,125	151,125
16 April 2021	15 April 2024	C\$1.00	100,000	100,000
1 July 2023	30 June 2026	C\$1.90	100,000	-
Total			4,246,233	4,221,233

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

	Three months ended 30 September			
	2023 WAEP	2023 Number	2022 WAEP	2022 Number
Outstanding at 1 July	\$0.49	4,221,233	\$0.53	5,739,079
Granted	\$2.17	100,000	-	-
Exercised	\$0.61	(75,000)	\$0.61	(100,000)
Outstanding at 30 September	\$0.54	4,246,233	\$0.53	5,639,079
Exercisable at 30 September	\$0.50	3,993,517	\$0.46	3,029,987

There were no options expired or forfeited since the end of the last reporting year ended 30 June 2023 and during the three-month period ended 30 September 2023.

20. Share-based payments (continued)

(d) Reconciliation of outstanding broker warrants

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

Issue date	Expiry date	Exercise price	30 September 2023	30 June 2023
24 March 2021	24 September 2022	C\$0.65	-	-
2 September 2021	2 September 2024	C\$2.05	16,180	16,180
2 September 2021	2 September 2024	C\$2.14	5,760	5,760
9 November 2021	2 September 2024	C\$2.60	2,335	2,335
24 March 2021	24 September 2022	C\$0.65	62,755	62,755
16 August 2023	16 August 2026	C\$1.70	121,765	-
Total			208,795	87,030

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

	Three months ended 30 September			
	2023 WAEP	2023 Number	2022 WAEP	2022 Number
Outstanding at 1 July	\$2.93	87,030	\$2.12	126,875
Issued	\$1.95	121,765	\$2.85	1,269
Exercised	-	-	\$0.88	(43,857)
Outstanding at 30 September	\$2.36	208,795	\$2.77	84,287

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

Further details in respect of broker warrants held at reporting date are provided in note 18(b).

20. 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	30 September 2023	30 June 2023
20 October 2021 (i)	18 July 2023	RSU	-	14,528
20 October 2021 (i)	20 October 2026	RSU	21,065	45,277
5 December 2021	5 December 2026	RSU	15,662	15,662
14 September 2022 (ii)	26 May 2024	RSU	-	118,395
14 September 2022 (ii)	14 September 2027	RSU	221,881	282,832
20 September 2022	20 September 2027	RSU	106,027	253,651
12 October 2022	12 October 2027	RSU	36,186	36,186
14 October 2022	14 October 2027	RSU	6,532	7,306
20 October 2022	20 October 2027	RSU	123,623	159,669
21 October 2022	21 October 2027	RSU	20,952	20,952
13 July 2023	13 July 2028	RSU	227,277	-
Total			779,205	954,458

- (i) The vesting and expiry dates for 59,805 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.
- (ii) The vesting and expiry dates for 118,395 RSUs granted on 14 September 2022, with an original expiry date of 14 September 2027, were accelerated to a date no earlier than 12 months from grant date following the approval of the amendments by the Board.

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

	Three months ended 30 September			
	2023 WASP ⁽ⁱ⁾	2023 Number	2022 WAEP	2022 Number
RSUs				
Outstanding at 1 July	\$4.35	954,458	\$6.24	197,622
Granted	\$2.19	227,277	\$4.20	707,498
Exercised	\$3.77	(172,914)	-	-
Expired or forfeited	\$3.49	(229,616)	-	-
Outstanding at 30 September	\$3.70	779,205	\$4.65	905,120
Exercisable at 30 September	\$4.20	97,609	-	-
PSUs				
Outstanding at 1 July ⁽ⁱⁱ⁾	-	-	\$6.28	77,359
Granted	-	-	-	-
Expired or forfeited	-	-	-	-
Outstanding at 30 September	-	-	\$6.28	77,359
Exercisable at 30 September	-	-	-	-

- (i) Further details of fair value measurement are included in note 20(g).
- (ii) PSU's outstanding at 1 July 2022 were forfeited during Q4 FY2023.

Since the end of the last reporting year ended 30 June 2023 and during the three-month period ended 30 September 2023 there were no:

- PSUs granted, exercised, forfeited or expired.

20. Share-based payments (continued)

(f) Fair value measurement of options and warrants granted

The assessed fair value of options granted during the three months ended 30 September 2023 was \$125,560 (year ended 30 June 2023: nil). The assessed fair value of warrants granted during the three months ended 30 September 2023 was \$171,580 (year ended 30 June 2023: \$176,143).

The fair value of options 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 during the three months ended 30 September 2023, and the year ended 30 June 2023, 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	
	30 September 2023	30 June⁽ⁱ⁾ 2023
Share price at grant date	\$C2.34	-
Expected volatility	55.01%	-
Risk-free interest rate	4.03%	-

(i) No Options were granted during the financial year ended 30 June 2023.

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 16 August 2023 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 three months ended 30 September 2023, was calculated using the following assumptions:

20. Share-based payments (continued)

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

On initial recognition using MCS	Compensation Warrants ⁽ⁱ⁾	
	Level 1	Level 2
Share price at grant date	C\$1.62	Not applicable
Exercise price	C\$1.70	C\$2.20
Term	3 years	4 years
Risk-free rate	4.420%	4.195%
Dividend yield	-	-
Volatility (rounded)	75%	75%

(i) 121,765 broker warrants were issued on 16 August 2023 in respect of the Marketed Offering completed, as detailed in Note 14(a)(i). 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.

(g) Fair values of RSUs and PSUs granted

The assessed fair value of RSUs and PSUs granted during the three months ended 30 September was \$497,670 (year ended 30 June 2023: \$4,164,189) and is based on the Company's share price on the date of grant.

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

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

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

On initial recognition	RSUs		PSUs	
	30 September 2023	YE 30 June 2023	30 September 2023	YE 30 June 2023
Share price at grant date	\$2.19 ⁽ⁱ⁾	\$4.20 ⁽ⁱⁱ⁾	-	\$3.62 ⁽ⁱⁱ⁾

(i) The fair value of RSUs granted during the three month period ended 30 September 2023, was based on the share price on 28 April 2023 and 5 May 2023 in accordance with employment agreement terms and the Share Incentive Plan.

(ii) The fair value of RSUs and PSUs granted during the financial year ending 30 June 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.

21. Commitments and contingencies

The Company's commitments and contingencies are consistent with those reported in the last annual financial statements as at 30 June 2023.

22. Subsequent events

No matters or circumstances have occurred since the end of the reporting period, which significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in subsequent reporting periods.