

Graphene Technology Solutions Limited

ABN: 16 629 889 550

Financial report

For the year ended 30 June 2020

TABLE OF CONTENTS

Directors' report	1 - 4
Auditor's independence declaration	5
Financial report	
Statement of profit or loss and other comprehensive income	6
Statement of financial position	7
Statement of changes in equity	8
Statement of cash flows	9
Notes to financial statements	10 - 20
Directors' declaration	21
Independent auditor's report	22 - 23

GRAPHENE TECHNOLOGY SOLUTIONS LIMITED

ABN: 16 629 889 550

DIRECTORS' REPORT

The directors present their report together with the financial report of Graphene Technology Solutions Limited ("the Company") for the year ended 30 June 2020 and auditor's report thereon.

Directors names

The names of the directors in office at any time during or since the end of the year are:

S B Hunt

R W C Willson

T A Spurling

D J Eddington (Appointed - 5 December 2019)

The directors have been in office since the start of the year to the date of this report unless otherwise stated.

Results

The loss of the Company for the year after providing for income tax amounted to \$1,295,841 (2019: \$213,027).

Review of operations

The Company continued to engage in its principal activity, the results of which are disclosed in the attached financial statements.

Significant changes in state of affairs

There were no significant changes in the Company's state of affairs that occurred during the financial year, other than those referred to elsewhere in this report.

Principal activities

The principal activity of the Company during the year was the commercialisation of graphene enhanced products.

No significant change in the nature of these activities occurred during the year.

GRAPHENE TECHNOLOGY SOLUTIONS LIMITED

ABN: 16 629 889 550

DIRECTORS' REPORT

After balance date events

Subsequent to reporting date, the Company and its major shareholders executed a binding agreement with Acacia Coal Limited, that subject to a number of conditions precedent including shareholder approval, will result in Acacia Coal Limited acquiring 100% of the issued capital of the Company. This transaction has not been completed at the date of these financial statements.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

Likely developments

Likely developments are set out in After Balance Date Events.

Environmental regulation

The Company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

Dividends paid, recommended and declared

No dividends were paid or declared since the start of the year. No recommendation for payment of dividends has been made.

Information on directors

S B Hunt

Qualifications

Experience

Executive Chairman

BBu (Marketing), AICD

Non Executive Director of American Pacific Borate Ltd. (ASX: ABR).
Previous Directorships include, Magnis Resources Ltd (ASX: MNS), Volt Resources Ltd (ASX: VRC), IMX Resources Ltd and Australian Zircon Ltd.
Cumulatively, over 20 years as a Director of ASX listed companies.
Previous experience also includes various marketing roles over 15 years with BHP.
Director of charity, Count Me In.

GRAPHENE TECHNOLOGY SOLUTIONS LIMITED

ABN: 16 629 889 550

DIRECTORS' REPORT

Information on directors (Continued)

R W C Willson

Non- Executive Director and Company Secretary

Qualifications

BAC, FCPA, FAICD

Experience

Richard is an experienced, Non-Executive Director, Company Secretary and CFO with more than 20 years' experience predominantly within the mining, technology and agricultural sectors for both publicly listed and private companies.

Richard has a Bachelor of Accounting from the University of South Australia, is a Fellow of CPA Australia, and a Fellow of the Australian Institute of Company Directors. He is a Non-Executive Director of Titomic Limited (ASX:TTT), AusTin Mining Limited (ASX:ANW), Thomson Resources Limited (ASX:TMZ), Variety SA, and the not-for-profit Unity Housing Company; and Company Secretary of a number of ASX Listed Companies. Richard is the Chairman of the Audit Committee of Titomic Limited, AusTin Mining Limited, and Unity Housing Company, and is the Chairman of the Remuneration & Nomination Committee of Titomic Limited.

T A Spurling

Managing Director

Qualifications

BEc

Experience

Tom has 35 years of experience and is an accomplished international manager and leader with particular expertise in leading growth initiatives into overseas markets for Australian companies and subsequent operations for medical technologies and devices and complex electro optical systems.

Tom's experience includes acquisitions, listed company equity capital markets in Australia and the USA, marketing strategy development, engineering, development and introduction of complex new products in highly regulated markets, sales management, manufacturing, people management, customer relationship management (both private business and Australian, US and other governments), financial reporting and reporting to a Board and institutional and retail shareholders.

D J Eddington

Director

Experience

Director of Jade Gas Ltd.

Dan has over 20 years experience in the financial markets with experience across multiple sectors including the resource, energy and industrial sectors.

Dan specialises in equity capital markets and has been responsible for IPO's, placements, reverse takeovers, underwritings, corporate negotiations and corporate advisory for companies predominantly in the resource sector.

GRAPHENE TECHNOLOGY SOLUTIONS LIMITED

ABN: 16 629 889 550

DIRECTORS' REPORT

Meetings of directors

Directors	Directors' meetings	
	Number eligible to attend	Number attended
S B Hunt	4	4
R W C Willson	4	4
T A Spurling	4	4
D J Eddington	4	4

Options

Rights to 3,500,000 performance shares granted on 1 August 2019 for no exercise price with no expiry date.

Indemnification of officers

No indemnities have been given or insurance premiums paid, during or since the end of the period, for any person who is or has been an officer of the Company.

Indemnification of auditors

No indemnities have been given or insurance premiums paid, during or since the end of the year, for any person who is or has been an auditor of the Company.

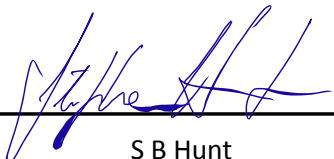
Auditor's independence declaration


A copy of the auditor's independence declaration in relation to the audit for the financial year is provided with this report.

Proceedings on behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

Signed on behalf of the board of directors.

Director:  S B Hunt

Director:  R W C Willson

Dated this 15th day of September 2020

DECLARATION OF INDEPENDENCE
BY ANDREW TICKLE
TO THE DIRECTORS OF GRAPHENE TECHNOLOGY SOLUTIONS LIMITED

As lead auditor of Graphene Technology Solutions Limited for the year ended 30 June 2020, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.



Andrew Tickle
Director

BDO Audit (SA) Pty Ltd

Adelaide, 2 September 2020

GRAPHENE TECHNOLOGY SOLUTIONS LIMITED

ABN: 16 629 889 550

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2020**

	Note	2020 \$	8 November 2018 to 30 June 2019 - Unaudited \$
Revenue and other income			
Other income	14	<u>50,000</u>	<u>-</u>
		<u>50,000</u>	<u>-</u>
Less: expenses			
Depreciation and amortisation expense		(4,053)	(281)
Employee benefits expense	4	(290,101)	-
Research & development expenses		(927,746)	(219,613)
Travel expenses		(42,136)	(8,595)
Consultancy fees		(165,260)	(3,008)
Other expenses		<u>(52,147)</u>	<u>(8,718)</u>
		<u>(1,481,443)</u>	<u>(240,215)</u>
Loss before income tax expense		(1,431,443)	(240,215)
Income tax benefit	5	<u>135,602</u>	<u>27,188</u>
Net loss from continuing operations		<u>(1,295,841)</u>	<u>(213,027)</u>
Other comprehensive income for the year/ period		<u>-</u>	<u>-</u>
Total comprehensive loss		<u>(1,295,841)</u>	<u>(213,027)</u>

The accompanying notes form part of these financial statements.

GRAPHENE TECHNOLOGY SOLUTIONS LIMITED

ABN: 16 629 889 550

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2020

	Note	2020 \$	8 November 2018 to 30 June 2019 - Unaudited \$
Current assets			
Cash and cash equivalents	6	53,995	350,006
Receivables	7	86,034	27,956
Current tax assets	5	<u>135,602</u>	<u>27,188</u>
Total current assets		<u>275,631</u>	<u>405,150</u>
Non-current assets			
Plant and equipment	8	<u>79,757</u>	<u>19,929</u>
Total non-current assets		<u>79,757</u>	<u>19,929</u>
Total assets		<u>355,388</u>	<u>425,079</u>
Current liabilities			
Payables	9	<u>318,417</u>	<u>193,466</u>
Total current liabilities		<u>318,417</u>	<u>193,466</u>
Total liabilities		<u>318,417</u>	<u>193,466</u>
Net assets		<u>36,971</u>	<u>231,613</u>
Equity			
Share capital	10	1,328,639	444,640
Reserves	11	217,200	-
Retained earnings	12	<u>(1,508,868)</u>	<u>(213,027)</u>
Total equity		<u>36,971</u>	<u>231,613</u>

The accompanying notes form part of these financial statements.

GRAPHENE TECHNOLOGY SOLUTIONS LIMITED

ABN: 16 629 889 550

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2020**

	Share capital	Reserves	Retained earnings	Total equity
	\$	\$	\$	\$
Company Incorporated on 8 November 2018	-	-	-	-
Loss for the period	<u>-</u>	<u>-</u>	<u>(213,027)</u>	<u>(213,027)</u>
Total comprehensive loss for the period	<u>-</u>	<u>-</u>	<u>(213,027)</u>	<u>(213,027)</u>
Transactions with owners in their capacity as owners:				
Contributions	<u>444,640</u>	<u>-</u>	<u>-</u>	<u>444,640</u>
Total transactions with owners in their capacity as owners	<u>444,640</u>	<u>-</u>	<u>-</u>	<u>444,640</u>
Balance as at 30 June 2019	<u>444,640</u>	<u>-</u>	<u>(213,027)</u>	<u>231,613</u>
Balance as at 1 July 2019	444,640	-	(213,027)	231,613
Loss for the year	<u>-</u>	<u>-</u>	<u>(1,295,841)</u>	<u>(1,295,841)</u>
Total comprehensive loss for the year	<u>-</u>	<u>-</u>	<u>(1,295,841)</u>	<u>(1,295,841)</u>
Transactions with owners in their capacity as owners:				
Contributions	883,999	-	-	883,999
Share based payments	<u>-</u>	<u>217,200</u>	<u>-</u>	<u>217,200</u>
Total transactions with owners in their capacity as owners	<u>883,999</u>	<u>217,200</u>	<u>-</u>	<u>1,101,199</u>
Balance as at 30 June 2020	<u>1,328,639</u>	<u>217,200</u>	<u>(1,508,868)</u>	<u>36,971</u>

The accompanying notes form part of these financial statements.

GRAPHENE TECHNOLOGY SOLUTIONS LIMITED

ABN: 16 629 889 550

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2020**

	Note	2020 \$	8 November 2018 to 30 June 2019 - Unaudited \$
Cash flow from operating activities			
Payments to suppliers		(639,316)	(74,424)
R&D tax refund		<u>27,188</u>	<u>-</u>
Net cash used in operating activities	13(b)	<u>(612,128)</u>	<u>(74,424)</u>
Cash flow from investing activities			
Payment for non current assets		<u>(63,881)</u>	<u>(20,210)</u>
Net cash used in investing activities		<u>(63,881)</u>	<u>(20,210)</u>
Cash flow from financing activities			
Proceeds from share issue		<u>379,998</u>	<u>444,640</u>
Net cash provided by financing activities		<u>379,998</u>	<u>444,640</u>
Reconciliation of cash			
Cash at beginning of the financial year/period		350,006	-
Net increase / (decrease) in cash held		<u>(296,011)</u>	<u>350,006</u>
Cash at end of financial year/period	13(a)	<u><u>53,995</u></u>	<u><u>350,006</u></u>

The accompanying notes form part of these financial statements.

GRAPHENE TECHNOLOGY SOLUTIONS LIMITED

ABN: 16 629 889 550

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

These are special purpose financial statements that have been prepared for the purposes of complying with the *Corporations Act 2001* requirements to prepare and distribute financial statements to the owners of the Company. The directors have determined that the accounting policies adopted are appropriate to meet the needs of the owners of the Company.

The financial report covers Graphene Technology Solutions Limited as an individual entity. Graphene Technology Solutions Limited is a company limited by shares, incorporated and domiciled in Australia. Graphene Technology Solutions Limited is a for-profit entity for the purpose of preparing the financial statements.

The Company was registered as an Australian Proprietary Company on 8 November 2018. On 16 August 2019, the Company changed its legal status to an Australian Unlisted Public Company, limited by shares.

This financial report is for the year ended 30 June 2019. The comparative financial information is for the first financial reporting period from 8 November 2018 to 30 June 2019.

The financial report was approved by the directors as at the date of the directors' report.

The financial report has been prepared in accordance with the *Corporations Act 2001*, the recognition and measurement requirements specified by all Australian Accounting Standards and Interpretations, and the disclosure requirements of:

- AASB 101: Presentation of Financial Statements
- AASB 107: Statement of Cash Flows
- AASB 108: Accounting Policies, Changes in Accounting Estimates and Errors
- AASB 1054: Australian Additional Disclosures

The following specific accounting policies, which are consistent with the previous period unless otherwise stated, have been adopted in the preparation of this financial report:

(a) Basis of preparation of the financial report

Historical Cost Convention

The financial report has been prepared under the historical cost convention.

Significant accounting estimates and judgements

The preparation of the financial report requires the use of certain estimates and judgements in applying the Company's accounting policies. Those estimates and judgements significant to the financial report are disclosed in Note 3 to the financial statements.

GRAPHENE TECHNOLOGY SOLUTIONS LIMITED

ABN: 16 629 889 550

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Going concern

The financial report has been prepared on the going concern basis which presumes the realisation of assets and payment of liabilities in the normal course of business over the foreseeable future. The directors are confident that the transaction with Acacia Coal Limited will proceed per the binding Share Sale agreement. The agreement is founded on the acquiring party raising three to four million dollars which will ensure the new entity has working capital well beyond the requirements over the next 12 months.

Should the Company not proceed with the Acacia Coal Limited transaction, and if further equity capital or debt funding not be garnered, a material uncertainty would exist over the ability of the Company to continue as a going concern, and therefore, it may have to realise its assets and extinguish its liabilities, other than in the ordinary course of business and at amounts different from those stated in the financial report.

(c) Cash and cash equivalents

Cash and cash equivalents include cash on hand and at banks, short-term deposits with an original maturity of three months or less held at call with financial institutions, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

(d) Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that the Company commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value adjusted for transaction costs, except where the instrument is classified as fair value through profit or loss, in which case transaction costs are immediately recognised as expenses in profit or loss.

(e) Impairment of non-financial assets

Intangible assets with indefinite useful lives are assessed for impairment whenever events or circumstances arise that indicate the asset may be impaired.

An impairment loss is recognised when the carrying amount of an asset exceeds the asset's recoverable amount. The recoverable amount of an asset is defined as the higher of its fair value less costs to sell and value in use (where 'value in use' is determined as the present value of the future cash flows expected to be derived from an asset).

Impairment losses in respect of individual assets are recognised immediately in profit or loss.

A reversal of an impairment loss for an asset measured at cost is recognised in profit or loss.

GRAPHENE TECHNOLOGY SOLUTIONS LIMITED

ABN: 16 629 889 550

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Provisions

Provisions are recognised when the Company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting year.

(g) Income tax

Current income tax expense or revenue is the tax payable on the current year's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities.

Deferred tax assets and liabilities are recognised for temporary differences at the applicable tax rates when the assets are expected to be recovered or liabilities are settled. Deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not recognised if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

(h) Research and development expenditure

Expenditure on research activities is recognised as an expense when incurred.

Development costs are capitalised when the Company can demonstrate all of the following: the technical feasibility of completing the asset so that it will be available for use or sale; the intention to complete the asset and use or sell it; the ability to use or sell the asset; how the asset will generate probable future economic benefits; the availability of adequate technical, financial and other resources to complete the development and to use or sell the asset; and the ability to measure reliably the expenditure attributable to the asset during its development. Capitalised development costs are amortised over their estimated useful lives commencing from the time the asset is available for use. The amortisation method applied to capitalised development costs is consistent with the estimated consumption of economic benefits of the asset. Subsequent to initial recognition, capitalised development costs are measured at cost, less accumulated amortisation and any accumulated impairment losses.

Other development expenditure is recognised as an expense when incurred.

GRAPHENE TECHNOLOGY SOLUTIONS LIMITED

ABN: 16 629 889 550

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Share based payments

Equity-settled share-based compensation benefits are provided to employees. Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is determined using the underlying asset price or American Single Barrier option pricing model that takes into account the exercise price, the term of the performance share, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the Company or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Company or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

(j) Plant and equipment

Each class of plant and equipment is measured at cost or fair value less, where applicable, any accumulated depreciation and any accumulated impairment losses.

Plant and equipment

Plant and equipment is measured at cost, less accumulated depreciation and any accumulated impairment losses.

GRAPHENE TECHNOLOGY SOLUTIONS LIMITED

ABN: 16 629 889 550

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Plant and equipment (Continued)

Depreciation

The depreciable amount of all plant and equipment is depreciated over their estimated useful lives commencing from the time the asset is held available for use, consistent with the estimated consumption of the economic benefits embodied in the asset.

Class of fixed asset	Useful lives	Depreciation basis
Plant and equipment at cost	5 years	Straight line

(k) Goods and services tax (GST)

Revenues, expenses and purchased assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(l) Comparatives

The Company was registered as an Australian Proprietary Company on 8 November 2018. Accordingly, the comparative financial information are for the first financial reporting period from 8 November 2018 to 30 June 2019, unaudited.

Where necessary, comparative information has been reclassified and repositioned for consistency with current year disclosures.

GRAPHENE TECHNOLOGY SOLUTIONS LIMITED

ABN: 16 629 889 550

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

NOTE 2: ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Company for the annual reporting period ended 30 June 2020. The Company's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Company, are set out below.

Conceptual Framework for Financial Reporting (Conceptual Framework)

The revised Conceptual Framework is applicable to annual reporting periods beginning on or after 1 July 2021 and early adoption is permitted. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards. Where the Company has relied on the existing framework in determining its accounting policies for transactions, events or conditions that are not otherwise dealt with under the Australian Accounting Standards, the Company may need to review such policies under the revised framework. At this time, the application of the Conceptual Framework is not expected to have a material impact on the Company's financial statements.

AASB 2020-2 Amendments to Australian Accounting Standards - Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities and AASB 1060 General Purpose Financial Statements - Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities

These standards are applicable to annual reporting periods beginning on or after 1 July 2021. AASB 2020-2 will prohibit certain for-profit entities from preparing special purpose financial statements and AASB 1060 provides a new Tier 2 reporting framework with simplified disclosures that are based on the requirements of IFRS for SMEs. Given that the Company will be moving to general purpose financial statements in the future, there is likely to be increased disclosure for areas such as key management personnel, related parties, tax and financial instruments; and some disclosures will be removed.

If the Company adopts the standards prior to the mandatory application date it will be able to take advantage of certain special transitional disclosure relief relating to comparative information in the first year of adoption.

GRAPHENE TECHNOLOGY SOLUTIONS LIMITED

ABN: 16 629 889 550

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

NOTE 3: SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

Share Based Payments

In determining the expense in line with Note 1(i), the Company makes significant judgements and estimates.

For shares granted and immediately vesting during the year ended 30 June 2020, the fair value has been estimated at \$0.12.

In determining the expense in relation to the performance shares, the critical judgements and estimates were:

- The identification that each Performance Share Tranche has two performance conditions that are met in an 'either/or' manner.
- The first performance condition related to a revenue hurdle and was an 'other performance condition' with a fair value assessed at \$0.12 using the underlying share price.
- The second performance condition related to a revenue and market capitalisation hurdle and was a 'market based condition' with a fair value assessed at \$0.12 using the American Single Barrier pricing model.
- The critical and most sensitive estimate within the American Single Barrier pricing model was volatility, estimated at 80%.
- The vesting period for all conditions was estimated at five years.
- The expense for the year ended 30 June 2020 is based on which condition was most likely to be met at balance date. This was judged as the revenue target in the first performance condition.
- As this was an 'other performance condition' the expense is also determined by the probability of reaching this target. This was estimated at 80%.

Research and Development Costs

The Company exercises judgement as to when projects and their related costs meet the requirements for capitalisation under the policy set out in Note 1(h). No projects or costs were judged to meet that criteria for the year ended 30 June 2020.

GRAPHENE TECHNOLOGY SOLUTIONS LIMITED

ABN: 16 629 889 550

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

	Note	2020 \$	8 November 2018 to 30 June 2019 - Unaudited \$
NOTE 4: OPERATING PROFIT			
Loss before income tax has been determined after:			
Employee benefits:			
- Share based payments		217,200	-
- Other employee benefits		<u>72,901</u>	<u>-</u>
		<u>290,101</u>	<u>-</u>
NOTE 5: INCOME TAX			
(a) Components of tax expense			
Current tax - R&D tax incentive		<u>(135,602)</u>	<u>(27,188)</u>
		<u>(135,602)</u>	<u>(27,188)</u>
(b) Current tax			
Current tax relates to the following:			
Opening balance		(27,188)	-
R&D tax incentive - refundable		(135,602)	(27,188)
R&D tax refunds received		<u>27,188</u>	<u>-</u>
Current tax assets		<u>(135,602)</u>	<u>(27,188)</u>
NOTE 6: CASH AND CASH EQUIVALENTS			
Cash at bank		<u>53,995</u>	<u>350,006</u>
NOTE 7: RECEIVABLES			
Other receivables			
- GST Input Credits		31,034	25,961
- Other debtors	14	<u>55,000</u>	<u>1,995</u>
		<u>86,034</u>	<u>27,956</u>

GRAPHENE TECHNOLOGY SOLUTIONS LIMITED

ABN: 16 629 889 550

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

	Note	2020 \$	8 November 2018 to 30 June 2019 - Unaudited \$
NOTE 8: PLANT AND EQUIPMENT			
Plant and equipment at cost		84,091	20,210
Accumulated depreciation		<u>(4,334)</u>	<u>(281)</u>
Total plant and equipment		<u>79,757</u>	<u>19,929</u>
NOTE 9: PAYABLES			
CURRENT			
<i>Unsecured liabilities</i>			
Other creditors		<u>318,417</u>	<u>193,466</u>
NOTE 10: SHARE CAPITAL			
29,910,100 (2019: 22,509,598) fully paid ordinary shares		<u>1,328,639</u>	<u>444,640</u>
Rights of each type of share			
The holders of ordinary shares are entitled to participate in dividends and the proceeds on winding up of the Company. On a show of hand at meetings of the Company, each holder of ordinary shares has one vote in person or by proxy, and upon a poll each share is entitled to one vote.			
NOTE 11: RESERVES			
Share based payments reserve		<u>217,200</u>	-
		<u>217,200</u>	-
The share based payments reserve is used to record the fair value of shares or options issued to employees.			
NOTE 12: RETAINED EARNINGS			
Retained earnings at beginning of the year/period		(213,027)	-
Net loss		<u>(1,295,841)</u>	<u>(213,027)</u>
		<u>(1,508,868)</u>	<u>(213,027)</u>

GRAPHENE TECHNOLOGY SOLUTIONS LIMITED

ABN: 16 629 889 550

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

	Note	2020 \$	8 November 2018 to 30 June 2019 - Unaudited \$
NOTE 13: CASH FLOW INFORMATION			
(a) Reconciliation of cash			
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position is as follows:			
Cash at bank		53,995	350,006
		<u>53,995</u>	<u>350,006</u>
(b) Reconciliation of cash flow from operations with profit after income tax			
Loss from ordinary activities after income tax		(1,295,841)	(213,027)
Adjustments and non-cash items			
Depreciation		4,053	281
Other non cash expenses		504,000	-
Share based payments		217,200	-
Changes in operating assets and liabilities			
Increase in receivables		(53,005)	(1,995)
Decrease in payables		126,088	192,330
Increase in R&D tax refunds		(108,414)	(27,188)
GST movement		<u>(6,209)</u>	<u>(24,825)</u>
Cash flows used in operating activities		<u>(612,128)</u>	<u>(74,424)</u>
(c) Non-cash financing and investing activities			
There were no non-cash financing or investing activities.			

NOTE 14: CONTINGENT LIABILITIES

The Company has an exclusivity agreement for which it received consideration of \$50,000. These funds will need to be refunded if ASX approval is not received for the Acacia Coal Limited transaction. At balance date, the consideration had not been received and is disclosed in other receivables.

GRAPHENE TECHNOLOGY SOLUTIONS LIMITED

ABN: 16 629 889 550

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

NOTE 15: EVENTS SUBSEQUENT TO REPORTING DATE

Subsequent to reporting date, the Company and its major shareholders executed a binding agreement with Acacia Coal Limited, that subject to a number of conditions precedent including shareholder approval, will result in Acacia Coal Limited acquiring 100% of the issued capital of the Company. This transaction has not been completed at the date of these financial statements.

There has been no other matter or circumstance, which has arisen since 30 June 2020 that has significantly affected or may significantly affect:

- (a) the operations, in financial years subsequent to 30 June 2020, of the Company, or
- (B) the results of those operations, or
- (c) the state of affairs, in financial years subsequent to 30 June 2020, of the Company.

NOTE 16: COMPANY DETAILS

The registered office of the Company is:

Graphene Technology Solutions Limited (previously, Graphene Technology Solutions Pty Ltd)

21 Allen Grove

Unley SA 5061

GRAPHENE TECHNOLOGY SOLUTIONS LIMITED

ABN: 16 629 889 550

DIRECTORS' DECLARATION

The directors have determined that the Company is not a reporting entity and that this special purpose financial report should be prepared in accordance with the accounting policies outlined in Note 1 to the financial statements.

The directors of the Company declare that:

1. In the directors opinion, the financial statements and notes, as set out on pages 6 - 20, are in accordance with the *Corporations Act 2001*, including:
 - (a) complying with Accounting Standards in Australia as detailed in Note 1 to the financial statements and the *Corporations Regulations 2001*; and
 - (b) giving a true and fair view of the financial position as at 30 June 2020 and performance for the year ended on that date of the Company in accordance with the accounting policies described in Note 1 to the financial statements.
2. In the directors' opinion there are reasonable grounds to believe that the Company 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 the Board of Directors.

Director: 
S B Hunt

Director: 
R W C Willson

Dated this 1st day of September 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GRAPHENE TECHNOLOGY SOLUTIONS LIMITED

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Graphene Technology Solutions Limited (the Company), which comprises the statement of financial position as at 30 June 2020, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies, and the directors' declaration.

In our opinion the accompanying financial report of Graphene Technology Solutions Limited, is in accordance with the *Corporations Act 2001*, including:

- (i) Giving a true and fair view of the Company's financial position as at 30 June 2020 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards to the extent described in Note 1, and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Material uncertainty related to going concern

We draw attention to Note 1(b) in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the entity's ability to continue as a going concern and therefore the entity may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

Emphasis of matter - Basis of accounting

We draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities under the *Corporations Act 2001*. As a result, the financial report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Other information

The directors are responsible for the other information. The other information comprises the information in the Directors' report for the year ended 30 June 2020, but does not include the financial report and the auditor's report thereon.

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

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

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

Other matter

The corresponding figures for the period ended 30 June 2019 are unaudited.

Responsibilities of the directors for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view and have determined that the basis of preparation described in Note 1 to the financial report is appropriate to meet the requirements of the *Corporations Act 2001* and is appropriate to meet the needs of the members. The directors' responsibility also includes such internal control as the directors determine is necessary to enable the preparation of a financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

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



A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf

This description forms part of our auditor's report.

A handwritten signature in blue ink that reads 'BDO'.

BDO Audit (SA) Pty Ltd

A handwritten signature in blue ink that reads 'Andrew Tickle'.

Andrew Tickle
Director

Adelaide, 2 September 2020