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# Executive Chairman's Report



I am pleased to report that the 2021 financial year has seen several important milestones to PPK's transformation as a technology incubation and commercialisation business, primarily partnering alongside Deakin University and University of Queensland. Our focus on defining and supporting industry applications for BNNT continues to open new doors for more innovative products and advanced materials. The financial prospects for the Group continue to grow with these innovations and new partnerships and positions PPK strongly into the near future.

Without doubt, the two most exciting highlights have been the:

1. significant progress in automating the BNNT manufacturing process which now sees the Group capable of producing commercial volumes of high purity BNNT and becoming the leading manufacturer of BNNT in the world.
2. Initial Public Offering (IPO) of Li-S Energy Limited, which we are expecting to list on the ASX in September 2021. This is the first IPO of a BNNT application project to move from research to the commercialisation phase and I am excited about the opportunity the lithium-sulphur battery has to significantly transform the global battery industry.

The other significant change to our business is the formal decision to demerge the mining business and focus totally on our technology businesses going forward. This has come about from the review undertaken by the Board with the decision to either list the mining business as a separate entity on an Australian stock exchange as a separate business or to sell it outright to another entity. As a result, the financial statements and referencing in the Annual Report will disclose the mining business as a held-for-sale Disposal Group.

It is difficult to reflect on 2021 without recognising the risk that COVID-19 presented to our community, our staff and our stakeholders. We are very fortunate that pro-active disciplines taken by our staff, those working in the industries and locations we operated within and the focus on health and safety resulted in no employees yet being affected with COVID-19.

I am pleased with the strengthening of our relationship with Deakin University and acknowledge the great contribution the management, scientists and staff have given us over the past year. Victoria has been greatly affected by the government's response to COVID-19 with a multiple number of lockdowns during the financial year and continuing to this day. Unfortunately, new BNNT application projects have also been hampered in progressing as much as we would have liked during this period.

While BNNT application projects are our major focus, the Directors have continued to review other technology commercialisation opportunities which culminated in an investment in Advanced Mobility Analytics Group (AMAG), announced on 16 December 2020 with the University of Queensland, and a new PPE mask technology investment outlined below.

## TECHNOLOGY BUSINESS OVERVIEW

### BNNT Technology Limited (BNNTTL)

Last year I mentioned that BNNTTL had a single furnace module producing high quality pure BNNT and the need to move to a multi-furnace module with semi-automation. BNNTTL now has two 4 furnace modules with semi-automation capable of each producing 50kg per annum of 95% pure BNNT from a single weekly shift. They are now expanding the module configuration and building two 6 furnace modules to be fully automated with potential annual production of an additional circa 300kg from these two modules per annum, operating two shifts per day once they are commissioned which should be early next year. The improvements in production techniques have created a further lowering of the cost of production which will enable BNNTTL to compete at the forefront of a wider range of vertical international markets.

We are seeing a continued increase in enquiry from potential global customers and research centres with regard to the use of BNNT in their respective products or research.

These positive responses leading to increased sales are in addition to the current sales to the existing BNNT application projects that are in progress and discussed in this report.

### Li-S Energy Limited (Li-S)

Last year I mentioned the lithium-sulphur battery project and in the half year update I advised that the \$0.025 special fully franked dividend would allow PPK shareholders to participate in the upcoming Li-S IPO. After several months of hard work by Li-S directors, management and advisers, Li-S has completed a \$34.0 million oversubscribed capital raise and on listing will issue 40.0 million shares with an expected pre-IPO market capitalisation of \$544M.



## Technology

## Ballistics

## Energy

Investing in Boron Nitride Nanotubes (BNNT), commercialisation of High Performance Batteries, Ballistic Armour, Dental Products & cutting edge artificial intelligence.

## Dental

## Advanced Mobility Analytics

# Executive Chairman's Report

Li-S shares were priced at \$0.85c prior to the IPO. As a result, the total value of the \$0.025 dividend paid to PPK shareholders of \$2.22M in December 2020 (2.5c fully franked) is now worth approximately \$29M to shareholders.

Li-S Energy is the first of the multiple BNNT application projects that has moved through the incubation process to the next stage of commercialisation. The capital raise was significantly oversubscribed from priority and public investors, before institution and broker allocations were considered. As a result, there will be a scaling back of shares requested by all investors but this excess demand demonstrates the value that PPK can provide to these BNNT application projects and its investment partners such as Deakin.

I encourage all PPK shareholders to review the Li-S Energy prospectus on [www.lis.energy](http://www.lis.energy).

## White Graphene Limited (WGL)

On 3 December 2020 we announced the white graphene project and on 12 August 2021 we provided an update on this project. White graphene is a nanomaterial termed boron nitride nanosheet (BNNS) and referred to as white graphene due to its unique quality to be almost transparent.

White graphene shares many of the important properties of BNNT such as high strength, thermal stability (up to 9000C), excellent thermal conductivity, electrical insulation, radiation shielding and non-toxic to the human body.

The WGL project has experienced delays over the past six months due to COVID-19 impacts but it is now at Stage One and we are currently installing the equipment for the initial manufacturing plant while, in parallel, the research and development continues to refine the many operating parameters required to commission the full scale continuous production process planned for the 1st quarter of 2022. Stage Two will see more advanced and automated production techniques leading to significantly higher volume outputs like those employed in the production of BNNT as mentioned earlier.

Preliminary results of the initial research and testing has identified significant benefits when using white graphene in the industrial applications listed below. WGL's priorities will be to demonstrate these benefits and develop new products to take to market:

- Greater strength, water resistance and cleanability in paints for timber and metal;
- Stronger fibreglass resins and crack resistance faux leather;
- Stronger and lighter ballistic polymers; and
- Increased electrical insulation for wire coatings.

In 2018, Rice University, a leading research university in the US, published a paper identifying white graphene as being the optimal architecture for storing hydrogen. Hydrogen is one of the cleanest ways to generate electricity, however, the drawbacks of hydrogen are transportation, storage and safety. A number of research reports indicate the size of the global hydrogen storage market is > USD 5 billion in 2021. WGL sees this as a large opportunity and is researching the incorporation of white graphene in pipelines and vessels for hydrogen transportation and storage.

WGL raised \$2.800M in December 2020 by issuing 7.000M shares at \$0.40 per share. As a result, PPK now owns 59.8%, Deakin owns 23.0% and BNNTTL owns 9.2%.

## Strategic Alloys Pty Ltd (Strategic Alloys)

This project focuses on creating a super strength aluminium and manganese alloy by introducing BNNT into its formulation. The initial test results should be released in the last quarter of 2021.

Recently the research and development project has been expanded to include base metal additive manufacturing for aluminium, nickel and titanium (three key base metals). Preliminary results from these tests are expected in the next nine months.

The research is being undertaken at joint venture partner Amaero's manufacturing plant and laboratories at Notting Hill, Victoria and at Deakin University in Geelong.

Multiple applications exist for super strength aluminium alloys and super strength titanium alloys with industries including aerospace, aviation and defence seeking materials that are lighter, stronger, more heat resistant and more durable. The project is an exciting opportunity to develop this revolutionary technology in Australia and create new products, industries, employment and exports for years to come.

PPK owns 45%, Amaero International Limited (ASX: 3DA) owns 45% and Deakin owns 10%.

## 3D Dental Technology Pty Ltd (3D Dental)

The purpose of this project is to infuse BNNT into frequently used dental materials including zirconia and lithium disilicate ceramics. The project is expected to lower the failure risk of most forms of dental implants.

This project is currently ongoing with the BNNT blending process into the base dental materials nearing completion and will be shortly provided to our Joint Venture partner for the purpose of 3D printing and testing finished samples.

PPK has a 45% interest and Deakin has a 10% interest in 3D Dental Technology Limited.

## BNNT Precious Metals Limited (Precious Metals)

Precious Metals is a project designed to test the infusion of BNNT as a nano-reinforcement into gold and silver to enable superior strength, hardness and durability of these metals for both industrial and the jewellery market. The expected outcome will be Ultra Gold and Ultra Silver as pure metals (not alloyed) with their molecular structures enhanced with a BNNT integrated reinforcement

Deakin has commissioned a nano-scale meld machine and will be using Deakin's Additive Friction Stir Deposition process which is a solid-state additive manufacturing technique that can be used to meld BNNT into the molecular matrixes of three key metals – gold, silver and copper.

Gold and silver foils are used in industries such as electronics, aviation and space can then be utilised at less weight and cost to achieve the same, or better performance specifications. Harder, stronger and more wear resistant gold and silver will also create significant new opportunities for jewellery products and automated jewellery manufacturing.

PPK has a 45% interest and Deakin has a 10% interest in Precious Metals.

#### **Ballistic Glass Pty Ltd (Ballistic Glass)**

This project is to infuse BNNT in bullet resistant glass to improve resistance at a lower weight resulting in significant cost savings. Research continues into the effective lamination of ballistic materials with BNNT infused resins and base ceramic and polymer materials. New material samples and laminated configurations, using real life products, should enter ballistic testing in the last quarter of this calendar year.

The technology not only involves the addition of the BNNT but also the development of new manufacturing methods in laminating both transparent and non-transparent composite materials.

PPK holds a 40% interest in Ballistic Glass and CIB holds a 20% interest.

#### **Craig International Ballistics Pty Ltd (CIB)**

CIB is a leading supplier of body armour to the Australian Defence Force and Police Forces.

In 2021, CIB was expecting to achieve the same level of revenue as 2020 but exceed the profit of the previous year, however due to a major contract being deferred late in this financial year it recorded reduced profitability. The deferred contract is now expected to be delivered in the 2022 financial year.

CIB achieved a number of very positive outcomes through the financial year which included a significant federal government grant for the acquisition of an aerospace autoclave, achieved a Level 2 Defence Industry and Security Program (DISP) membership and secured a number of new domestic and international contracts commencing in the 2022 financial year. CIB is expecting a significant increase in revenue and profit in the 2022 financial year.

PPK holds a 45% interest in CIB.

#### **AMAG Holdings Australia Pty Ltd (AMAG)**

AMAG (Advance Mobility Analytics Group) have developed the world's first Safe Mobility Alert Real Time (SMART) Artificial Intelligence delivered via Software-as-a-Service to enable governments to achieve Vision Zero and Safe Systems policy objectives. During the year AMAG has continued integrating video analytics, artificial intelligence, deep learning and advanced econometrics techniques to provide analytics for managing road safety and operations and has entered into 12 contracts and is negotiating 3 more with cities and other government departments in a number of countries for their SMART Platform.

AMAG aims to become a world-leading provider of predictive analytics in transport. It is developing a number of modules that it will bring to market within a year with the Traffic Safety module released in 2020 and the Traffic Operations module to be released in the next three months.

PPK's currently holds a 20% interest in AMAG at an initial investment of \$1.500M, with the PPK board considering a further investment of an additional \$550,000 into AMAG, which will increase our shareholding in this business proportionally.

#### **Mask Innovation Pty Ltd (Mask IP)**

As noted in the subsequent events section of the Annual Report, last week PPK acquired a Therapeutic Goods Administration approved PPE mask manufacturing business and the associated assets to manufacture N95/R2 (everyday use) and 3 ply surgical (molded to a face) masks as a going concern. PPK has also acquired in a separate transaction, the land and buildings housing the mask business.

This acquisition is part of a wider PPE technology development opportunity with two potential joint venture partners and university research input.

#### **PPK Mining Equipment Pty Ltd (PPKME)**

As noted in our 31 December 2020 half yearly report, the disruption from COVID-19 and the China trade conflict continued to impact the business for the second half 2021.

On a positive note, with the increase in metallurgical coal prices during the financial year this has seen an increase in enquiry from our customers for purchases of some of our new equipment, such as the next generation coal tram, our new 12 seat personnel vehicle and our new ceramic filter which can replace particulate filters in all underground machinery. In addition, we have signed a collaboration agreement with Ampcontrol, a leading electrical engineering company, to install their latest world-class BEV technology into our vehicles. This will assist with our divestment of the mining business either by way of independent listing or a trade sale.



# Executive Chairman's Report

## SHAREHOLDER SUPPORT

I am pleased by the active support PPK receives from its shareholders and we expect to continue to generate material shareholder value from our commercialisation projects moving forward. The most recent example, of course, being the Li-S Energy \$544M IPO. The board is hopeful that our next major project moving forward, which will create additional shareholder value, is the IPO of White Graphene.

## FINANCIAL RESULTS

While our financial results will show a loss after tax of \$5.478M to owners of PPK, this does not reflect the true underlying value that has been generated during the year. On a cash basis, PPK generated a loss of \$1.766M.

## OUTLOOK

PPK as a wider group is in a strong financial position going forward.

Currently all of our BNNT technology applications are fully funded, however, we are constantly reviewing other technology opportunities that are being presented to us.

Considering the large oversubscription for the LIS Energy IPO we are expecting strong underlying support for the company once listed as it continues to build out its array of prototype test batteries and continues to engage with global manufacturers and end users of batteries.

Our Artificial Intelligence software investment AMAG, for managing road safety and operations also has a strong funnel of global business opportunities to be contracted.

Outcomes from the testing of BNNT enhanced aluminium and other base metal alloy products via Strategic Alloys and the improved ballistic glass results should also be available this year which will allow a formal marketing and sales process to be introduced for those products.

Also, we believe the outcomes from current testing of white graphene, when coupled with the soon to be installed, certified and completed full scale continuous production module, will allow trial interactions with multiple international customers in different product and business categories. We expect these results to be positive and would consider White Graphene for a potential IPO later this financial year.

I would also expect further news on the Mask IP technology business around the introduction of a differentiated market leading mask technology and also the wider global business platform we are pursuing for that product.

As an organisation PPK now finds itself in the enviable position where it is receiving multiple opportunities to become involved in the incubation and commercialisation of existing university research and technologies and is continuing to staff up to meet the growing support and management requirements of these multiple opportunities.

We see FY 2022 as the year where the fruits of our incubation and commercialisation activities which shareholders have positively supported and funded over the past 3 years bearing fruit with the Li-S Energy IPO outcome being the most obvious and near-term example.

Lastly it is with great sadness that I mention the loss of Founder and long-time director Graeme Webb who passed away during the year and will be sadly missed. PPK will now undertake a Board skills review process to ensure we appoint an able replacement in due course who can add appropriate value to the current board skillset.

PPK will hold its AGM on Tuesday 30th November 2020 and, in keeping with the current requirements, it will be via video conferencing. Further details will be provided and I look forward to your attendance on line.



**Robin Levison**  
Executive Chairman



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# Financial Report FY21

For the year ended 30 June 2021

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# Directors' Report

for the year ended 30 June 2021

Your directors present their report together with the financial statements of the consolidated entity, being PPK Group Limited and its controlled entities ("PPK" or the "Group") for the financial year ended 30 June 2021.

## DIRECTORS

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

- Robin Levison
- Glenn Robert Molloy
- Dale William McNamara
- Anthony John McDonald
- Graeme Douglas Webb                      Ceased 25 January 2021

Directors have been in office since the start of the financial year to the date of this report.

## INFORMATION ON DIRECTORS

Details of the current directors' qualifications, experience and special responsibilities are detailed below:

**Robin Levison** CA MBA F.A.I.C.D. (Age 63)

**Executive Chairman**

*Member of the PPK Group Limited Board since 22 October 2013.*

*Member of the PPK Group Limited Audit Committee since 14 August 2017, resigned 25 January 2018.*

*Executive Chairman from 22 October 2013 to 29 April 2015 and re-appointed from 28 February 2016.*

*Non-Executive Chairman from 29 April 2015 to 28 February 2016.*

Robin Levison has 20 years of public company management and board experience. During this time, he has served as Managing Director at Industrea Limited and Spectrum Resources Limited and has held senior roles at KPMG, Barclays Bank and Merrill Lynch. He is a Non-Executive Director of a number of PPK's related companies including Li-S Energy Limited, White Graphene Limited, BNNT Technology Limited, BNNT Precious Metals Limited, 3D Dental Technology Pty Ltd, Ballistic Glass Pty Ltd, Craig International Ballistics Pty Ltd, Strategic Alloys Pty Ltd and AMAG Holdings Australia Pty Ltd.

Robin holds a Master of Business Administration from the University of Queensland, is a Member of the Institute of Chartered Accountants Australia and NZ and is a Graduate and Fellow of Australian Institute of Company Directors. Robin recently retired as Chair of the University of Queensland Business, Economics and Law Alumni Ambassador Council.

*Other listed public company directorships held in the last 3 years:*

- Chairman of Mighty Craft Limited (formerly Founders First Limited), Non-executive Director & Chairman (Appointed: 17 December 2019)

**Glenn Molloy** (Age 66)

**Executive Director**

*Appointed Director and Chairman, 8 January 2019.*

*Member of the PPK Group Limited Board since listing on 21 December 1994.*

*Chairman of the PPK Group Limited Audit Committee since 14 August 2017.*

*Founder of the former entity Plaspak Pty Limited in 1979, appointed Executive Director in September 2009.*

Glenn Molloy founded the former entity Plaspak Pty Ltd in 1979 and has acted as a director of PPK since that time. He has extensive experience on public company boards, and in advising publicly listed and private entities on commercial aspects of mergers, acquisitions and divestment activities. He is a Non-Executive Director of PPK's related companies including BNNT Precious Metals Limited, 3D Dental Technology Pty Ltd, Ballistic Glass Pty Ltd, Craig International Ballistics Pty Ltd and is Chairman of BNNT Technology Limited and White Graphene Limited.

*Other listed public company directorships held in the last 3 years: Nil*



# Directors' Report

for the year ended 30 June 2021

**Dale McNamara** (Age 63)  
**Executive Director**

*Member of the PPK Group Limited Board since 30 April 2015.*

Dale McNamara first joined PPK in an executive capacity in late 2013. Dale has more than 30 years of experience in operational and management roles in the coal mining industry in Australia and China.

Dale founded Wadam Industries, a subsidiary of Industrea Ltd and served as its Managing Director since 1993. Dale was then appointed as Deputy Chief Executive Officer of Industrea in 2009. Following the takeover of Industrea in November 2012 Dale assumed the position of Global Director, Mining with the new owner.

*Other listed public company directorships in the last 3 years: Nil*

**Anthony John McDonald** LL.B, (Age 63)  
**Non-Executive, Independent Director**

*Member of the PPK Group Limited Board since 13 September 2017.*

*Member of the PPK Group Limited Audit Committee since 25 January 2018.*

Tony McDonald graduated with a Bachelor of Laws from the Queensland University of Technology in 1981 and was admitted as a solicitor in 1981. He has been involved in the natural resource sector for many years both within Australia and internationally and for the past 19 years has held senior management roles in this sector. He is a Non-Executive Director of a number of PPK's related companies including Li-S Energy Limited, White Graphene Limited and Strategic Alloys Pty Ltd and a Director of Santana Minerals Limited.

*Other listed public company directorships held in the last 3 years:*

- Santana Minerals Limited, Non-Executive Director (Appointed: December 2019, Executive Director 15 January 2013 to December 2019)
- Planet Gas Limited, Independent and Non-Executive Director (Appointed: 19 November 2003, resigned 20 June 2019)

## INFORMATION ON COMPANY SECRETARIES

**Will Shiel** (Age 39) BA (Hons) in Law FGIA

Will was a senior legal counsel and manager at ASX Limited, focusing on technology. Before this, he held a variety of senior positions at leading national and international law firms. Will specialises in all aspects of commercial law, with particular experience in intellectual property, contracts and cutting-edge technology transactions.

Appointed as General Counsel and Company Secretary on 16 August 2021.

Tony McDonald acted as Company Secretary for regulatory purposes for the period from 26 July 2021 to 16 August 2021.

**Pat Rogers** (Age 50) BLaws, BBus Accy, FGIA

Appointed as General Counsel and Company Secretary on 4 May 2021, resigned on 26 July 2021.

**Andrew J. Cooke** (Age 61) LL.B, FCIS  
**Group Company Secretary**

Andrew Cooke was appointed as Group Company Secretary on 9 May 2012, resigned on 4 May 2021.

Andrew has extensive experience in law, corporate finance and is the Company Secretary of a number of ASX listed companies. He is responsible for corporate administration together with stock exchange and regulatory compliance.

## PRINCIPAL ACTIVITIES

The principal activities of PPK during the financial year were:

Technology - to expand and profit from the manufacture of high-grade boron nitride nanotubes (BNNT) in commercial quantities using Deakin University's patented technology to;

- supply BNNT to select industries to enable industries to enable further research and development into the blending/infusing of BNNT into conventional materials. This process can be transformative in terms of reduced weight and increased strength; and
- maintain an ongoing equity interest in selected BNNT product applications such lithium sulphur battery products (Li-S Energy Limited), white graphene (White Graphene Limited), metal alloys (Strategic Alloys Pty Ltd), armaments (Craig International Ballistics Pty Ltd and Ballistic Glass Pty Ltd), dental applications (3D Dental Technology Limited) and precious metals (BNNT Precious Metals Limited).

## Directors' Report

for the year ended 30 June 2021

The Board has made the formal decision to either list the mining business as a separate entity on an Australian stock exchange as a separate business or to sell it outright to another entity and focus totally on our technology businesses going forward. As a result, the mining equipment segment is considered a Disposal Group and is no longer a principal activity of PPK.

PPK has expanded its strategy from vertical integration to becoming a collaborator of businesses in the technology sector. PPK now has 6 ventures that are progressing using BNNT as the core application to create new products and business ventures. Below is a summary of these ventures and further information is noted in the Chairman's Report.

### BNNT Technology Limited (BNNTTL)

BNNTTL has continued to improve its manufacturing capabilities and is now capable of producing 100 kgs of BNNT from operating its two 4 furnace modules on an eight hour shift per day per annum. PPK earlier this month made an ASX announcement that its current BNNT production is expected to increase to more than 400 kgs in the 2022 financial year from an eight hour shift per day per annum with the further installation of two 6 furnace module production units. BNNTTL continues to identify process improvements to increase production and reduce average production costs while consistently producing high purity BNNT.

At the present time, based on market data, BNNTTL is the largest producer of BNNT in the world and has a published sales price lower than that of any competitor.

### Li-S Energy Limited (Li-S Energy)

Li-S Energy is the result of a joint venture between Li-S Energy's founding shareholders; PPK, Deakin and BNNTTL. The objective of utilising BNNTTL and Deakin's existing technology and research to develop a battery technology based on more advanced lithium-sulphur chemistry, where BNNTs and other nanomaterials are incorporated into battery components to:

- improve battery energy capacity when compared to current lithium-ion batteries; and
- improve cycle life when compared to conventional lithium-sulphur batteries.

For decades, scientists have known that lithium-sulphur battery chemistry presents many benefits over lithium-ion battery chemistry, including having more than five times the theoretical energy capacity, being lighter, safer, faster charging, and using more environmentally friendly raw materials.

Despite this, lithium-sulphur batteries have yet to be mass produced as conventional lithium-sulphur batteries tend to fail after a low number of recharge cycles, making them useless for most commercial applications. Li-S Energy believes that its patent pending BNNT battery construction in its Li-S Energy batteries addresses the key historical challenges of conventional lithium-sulphur batteries, and testing to date indicates that BNNTs substantially enhance the performance, capacity, stability and cycle life in the Li-S Energy battery compared to an identical lithium-sulphur battery without BNNTs.

Li-S Energy is in the process of an Initial Public Offer (IPO) for listing on the ASX. The IPO includes a capital raise of \$34.000M at \$0.85 per share by issuing 40.000M shares which would have a pre-IPO market value of \$544.170M and we expect the listing on the ASX to occur in September 2021. Due to excess demand the IPO was closed to further subscriptions on 13 August 2021 and Li-S Energy is awaiting formal ASX approval to list.

This is the first of what PPK would see as many spin-offs from the application of BNNT to create new products and business ventures. PPK currently owns 48.46%, Deakin owns 13.88% and BNNTTL owns 5.00% and after the IPO, PPK's direct interests will own 45.43%, Deakin will own 13.02%, BNNTTL will own 4.69% and PPK's accumulating direct and indirect interests will hold 50.23%.

### White Graphene Limited

On 3 December 2020 we announced the white graphene project and on 12 August 2021 we provided an update on this project. White graphene is a nanomaterial termed boron nitride nanosheet (BNNS) and referred to as white graphene due to its unique quality to be almost transparent.

White graphene shares many of the important properties of BNNT such as high strength, thermal stability (up to 900°C), excellent thermal conductivity, electrical insulation, radiation shielding, non-toxic to the human body and can generate electricity. White graphene has many potential uses in sectors such as paints, resins, electronics, textiles and with potentially hydrogen transportation and containment.

PPK owns 59.8%, Deakin owns 23.0% and BNNTTL owns 9.2%.

### Strategic Alloys Pty Ltd

A joint venture with Amaero International Limited, combining BNNT and aluminium and titanium alloys to create super materials for the defence and aerospace applications.



## Directors' Report

for the year ended 30 June 2021

The project focuses on creating several new super strength aluminium and titanium alloys using BNNT and boron nitride nanosheets (BNNS) in their formulation, which acts as a grain refining, nano-reinforcement and strengthening agent, significantly improving mechanical properties. The research and development commenced in November 2020 and early results indicate a Deakin technological process will provide the best method for BNNT dispersion and stability in these alloys, enabling optimum mechanical property improvement. The research and development is now focusing of several parameters involved in the technology process and optimum percentage ratios for BNNT inclusion and expected results from these tests are expected in six months.

Recently the research and development project has been expanded to include the addition of other nanoparticles into base metal additive manufacturing for aluminium, nickel and titanium (three key base metals). Preliminary results from these tests are expected in the next nine months.

Multiple applications exist for super strength aluminium alloys and super strength titanium alloys with industries including aerospace, aviation and defence seeking materials that are lighter, stronger and more durable. The project is an exciting opportunity to develop this revolutionary technology in Australia and create new products, industries, employment and exports for years to come.

PPK owns 45%, Amaero International Limited (ASX: 3DA) owns 45% and Deakin owns 10%.

### BNNT Precious Metals Limited

Precious Metals is a project designed to test the infusion of BNNT as a nano-reinforcement into gold and silver to enable superior strength, hardness and durability of these metals for both industrial and the jewellery market. The expected outcome will be Ultra Gold and Ultra Silver as pure metals (not alloyed) with their molecular structures enhanced with a BNNT integrated reinforcement.

The initial research and development identified some problems in the process of infusing BNNT into these soft metals. A new approach has been identified, revised research agreements and budgets executed and the project has commenced.

We believe adding BNNT to gold, silver and platinum for increased strength, hardness and radiation shielding properties will have uses in aerospace, defence, 3D printing and jewellery.

PPK has a 45% interest and Deakin has a 10% interest in Precious Metals.

### 3D Dental Technology Limited

The purpose of this project is to infuse BNNT into nanocomposites with frequently used dental materials including zirconia and lithium disilicate ceramics (being current materials used in 3D dental printing), along with alumina and ceramic composite resins. This technology is based upon the incorporation of BNNT's into the molecular matrix of various materials to manufacture advanced dental applications commonly used in prosthetic and implant dentistry (ie inlays, onlays, veneers, crowns, bridges). The project is expected to lower the failure risk of both conventional and implant restorative solutions, improve aesthetics, make them more fracture resistant and deliver a modified process for achieving the highest level of quality and product reliability from current 3D printing technology using these new materials.

This project has had minimal progress during the year as the research performed in Sydney and at Deakin has been impacted by COVID-19 with repeated lockdowns impacting laboratory work and delays for manufacture and shipment of speciality equipment from overseas.

PPK has a 45% interest and Deakin has a 10% interest in 3D Dental Technology Limited.

### Ballistic Glass Pty Ltd

This BNNT project is to infuse BNNT in bullet resistance glass to improve resistance at a lower weight resulting in significant cost savings. Research continues in the effective lamination of ballistic materials with BNNT infused resins and base ceramic and polymer materials. Early test indications show remarkable improvement in the strength of both resins and composites.

The technology not only involves the addition of the BNNT but also the development of new manufacturing methods in laminating both transparent and non-transparent composite materials.

PPK holds a 40% interest in Ballistic Glass and CIB holds a 20% interest.

Expanding as a collaborating company, PPK has investments in the following non-BNNT related technology ventures:

### Craig International Ballistics Pty Ltd (CIB)

CIB is a leading supplier of body armour to the Australian Defence Force and Police Forces. In 2021, CIB was expecting to achieve the same level of revenue as 2020 but exceed the profit of the previous year, however due to a major contract being deferred late in this financial year it recorded reduced profitability. The deferred contract is now expected to be delivered in the 2022 financial year.

## Directors' Report

for the year ended 30 June 2021

The pandemic has also resulted in a very challenging trading environment for CIB, with longer than normal supplier production times and significantly longer supply chain durations on raw materials into Australia.

Although a disappointing final year result compared to forecasts, CIB achieved a number of very positive outcomes through the financial year which included a significant federal government grant for the acquisition of an aerospace autoclave, achieved a Level 2 Defence Industry and Security Program (DISP) membership and secured a number of new domestic and international contracts commencing in the 2022 financial year. Thus CIB is expecting a significant increase in revenue and profit in the 2022 financial year.

PPK holds a 45% interest in CIB.

### Advanced Mobility Analytics Group (AMAG)

AMAG (Advance Mobility Analytics Group) have developed the world's first Safe Mobility Alert Real Time (SMART) Artificial Intelligence delivered via Software-as-a-Service to enable governments to achieve Vision Zero and Safe Systems policy objectives. During the year AMAG has continued integrating video analytics, artificial intelligence, deep learning and advanced econometrics techniques to provide analytics for managing road safety and operations and has entered into 12 contracts and is negotiating 3 more with cities and other government departments in a number of countries for their SMART Platform.

In the last six months, AMAG has expanded to 25 full and part-time staff, secured a high-profile Chief Marketing Officer with experience in publicly listed global technology companies, expanded its product offering (see below) and formed strategic go-to-market and technology partnerships, including Pointerra and Stantec to help build and deliver its SMART Infrastructure Module.

AMAG aims to become a world-leading provider of predictive analytics in transport. It is developing a number of modules that it will bring to market within a year with the Traffic Safety module released in 2020 and the Traffic Operations module to be released in the next three months.

PPK's holds a 20% interest in AMAG at an initial investment of \$1.500M.

### Mask Innovation Pty Ltd (Mask IP)

Subsequent to the year end, PPK acquired a Therapeutic Goods Administration approved PPE mask manufacturing business and the associated assets to manufacture N95/R2 (everyday use) and 3 ply surgical (molded to a face) masks as a going concern. We have also employed the critical members of the previous management team and will look to employ the previous employees as we re-establish manufacturing processes. PPK also acquired in a separate transaction the land and buildings housing the mask business to ensure continuity of production.

This is an exciting opportunity for PPK to continue to diversify into other technology ventures, especially one which supplies such critical medical devices at a time of great need in Australia. This acquisition is part of a wider PPE technology development opportunity with two potential joint venture partners.

### PPK Mining Equipment Pty Ltd (PPKME)

While the Directors have made the decision to sell or list the mining equipment business as it doesn't fit into the PPK technology commercialisation strategy, they believe it is in a great position to deliver value to its new shareholders. As a result of the Board decision, PPKME is referred to as a Disposal Group in the financial statements as required under the accounting standards. PPKME has continued with the following innovative technology products being released to the mining sector:

- development of the next generation Coaltram has been completed and is undergoing various tests for its enhancements. A number of these enhancements such as the wireless data logger can be sold for attachment to other underground machines to record performance analytics and relay this information to a centralised location for tracking, monitoring and reporting;
- the twelve seat personnel vehicle has been built and tested but its first major run has been delayed due to lockdown restrictions in the Hunter Valley. PPKME has signed a collaboration agreement with Ampcontrol, a leading electrical engineering company, to install their latest world-class BEV technology and the agreement includes extending the BEV technology to the Coaltram; and
- Development of the ceramic filter, to replace particulate filters used in underground machines, has been tested with the positive results shared with mining company representatives who support the safety benefits this filter offers to their employees.

With increased coal prices and capital budgets available from customers, these new technologies should generate increased revenues from PPKME's customer base.



# Directors' Report

for the year ended 30 June 2021

## OPERATING RESULTS

The statement of profit or loss and statement of financial position for 30 June 2021 reflect the transformation of PPK as a technology commercialisation business with the continued research and development of the various BNNT application projects as noted in the Chairman's report. With the decision to reclassify the mining equipment segment as a Disposal Group, the statement of profit or loss for 30 June 2020 has been restated to include only the technology sector and corporate costs consistent with the 30 June 2021 financial year.

It is important to note that in previous years the Group results reflected the combination of the 100% owned subsidiaries but with the move to a technology focus, we now have subsidiaries, associated entities and a joint venture which the Group owns less than 100% and which have specific accounting standards applicable for them.

PPK has reported a net loss after tax attributable to owners of PPK of \$5.479M for the 12 months to 30 June 2021 (2020: \$8.269M profit after writing back as income a contingent consideration of \$9.041M). As BNNTTL and a number of BNNT application projects entered into their second year of research and development, and with BNNTTL international sales affected by COVID-19, there have been no revenues reported.

Rental income of \$0.044M is from a sublease of the corporate office and other loss of \$0.615M is disclosed in note 3.2 and is predominantly the negative share price movement of \$0.289M in our small strategic shareholdings and the revaluation of \$0.383M of the interest in Zeta Energy LLC held by Li-S Energy.

The technology expenses of \$2.243M are disclosed in Note 4.1 and are \$2.050M for administration expenses (2020: \$0.231M), \$0.127M for share based payment expense and \$0.066M for depreciation and amortisation. These expenses are predominantly for Li-S Energy of \$1.944M, mainly in relation to the pre IPO costs and general operating expenses, and White Graphene of \$0.223M.

Corporate expenses of \$3.163M (2020: \$4.033M) are disclosed in Note 4.1 and were for salaries and administration costs of \$2.444M (2020: \$2.287M), professional costs to defend a dispute of a business acquisition made in 2014 of \$0.361M (2020: \$0.550M), lease costs of \$0.219M (2020: \$0.229M) and share based payment expense of \$0.139M (2020: \$0.967M).

The share of an associate and a joint venture loss of \$0.198M (2020: \$0.766M profit) is disclosed in Note 20.3 and consists of the Group's 50% share of the loss in BNNTTL of \$0.541M and its 45% share of profit in CIB of \$0.343M.

The loss from the Disposal Group of \$0.742M (2020: \$2.616M in total being \$2.676M profit from PPKME and a loss of \$0.060 from China's operations) are disclosed in Note 13 and reflect the impact of COVID-19 with the following noted:

- revenues have decreased by 17% from \$41.102M to \$34.032M, predominantly impacting the Hunter Valley operations
- gross margins have declined by some 5% overall

The statement of financial position as at 30 June 2021 reflects the combined assets and liabilities of the subsidiaries, as well as those of PPK Group Limited.

The investments in associates and a joint venture of \$28.126M (2020: \$25.086M) are disclosed in Note 20 and comprise the Group's interest in BNNTTL of \$20.735M, CIB of \$5.831M, AMAG of \$1.500M and Ballistic Glass of \$0.060M.

Investments of \$4.472M are disclosed in Note 21 and comprise \$2.214M of shares in strategic companies listed on the ASX and Li-S Energy's investment in Zeta Energy LLC at fair value of \$2.258M.

Intangibles of \$1.622M are disclosed in Note 24 and comprised of the various BNNT application projects underway.

The interest bearing loans and borrowings of \$0.399M are disclosed in Note 27 and are in relation to the other shareholders of BNNT application projects who have provided funding for these projects and will be repaid from profits of the projects or alternative funding, such as a capital raise, being provided.

## DIVIDENDS PAID OR DECLARED

Dividends paid or recommended for payment are as follows:

	Cents	\$'000
Dividends paid in the year:		
2.5 cent special ordinary fully franked was paid by a distribution in specie of shares in Li-S Energy held by PPK on the basis of 0.3846 Li-S Energy share for every 1 PPK share held	0.025	2,220
1 cent interim ordinary fully franked dividend was declared or paid	0.01	859

# Directors' Report

for the year ended 30 June 2021

## REVIEW OF OPERATIONS

The review of operations is outlined in the Executive Chairman's Report set out on pages 2 to 6 and which forms part of this report.

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The 2021 Chairman's Report highlighted the repositioning of PPK as a technology commercialisation business based on the production of commercial quantities of high purity BNNT, the sale of BNNT to other manufacturers of product which BNNT may be blended or infused and the continued expansion of partnering with other application or industry leaders to create new products with BNNT. A detailed update on these initiatives is provided in the Chairman's Report and is summarised earlier under Principal Activities.

### BNNT Manufacturing Technology

BNNTTL has continued to improve its manufacturing capabilities and is now capable of producing 100 kgs of BNNT from operating its two 4 furnace modules on an eight hour shift per day per annum. PPK earlier this month made an ASX announcement that its current BNNT production is expected to increase to more than 400 kgs in the 2022 financial year from an eight hour shift per day per annum with the further installation of two 6 furnace module production units. BNNTTL continues to identify process improvements to increase production and reduce average production costs while consistently producing high purity BNNT.

At the present time, based on market data, BNNTTL is the largest producer of BNNT in the world and has a published sales price lower than that of any competitor.

### Li-S Energy IPO

During the year, PPK has taken Li-S Energy from being PPK's first BNNT application project to becoming our first IPO with a listing on the ASX expected in September 2021. After several months of hard work by our directors, management and advisers, Li-S Energy has completed a \$34.0 million capital raise, issued 40.0 million of shares and has a pre-IPO market capitalisation of \$544.170M. As a result, shareholders who retained their Li-S Energy shares now have them valued at around \$0.85 before the IPO.

### Demerger of the Mining Equipment Segment (PPKME)

The Board has made the formal decision to either list the mining business as a separate entity on an Australian stock exchange as a separate business or to sell it outright to another entity and focus totally on our technology businesses going forward.

The underground coal mining industry in NSW has been impacted by COVID-19, particularly in the Hunter Valley. Major customers have reduced operations and incurred additional costs to continue to produce coal. Mine expansion and new mines opening have been delayed but quotes for new capital equipment have increased recently.

In 2020, we advised that PPKME's two major product developments being the twelve-man battery electric vehicle (BEV) and enhancements to the CoalTram LHD machine would be completed and launched last calendar year. Both projects have continued to progress but were not completed during the financial year. In August 2021, PPKME entered into a collaboration agreement with Ampcontrol, a leading electrical engineering company who have expertise in BEV technology, to work together to install Ampcontrol's world-class BEV technology into the PPKME's twelve-man personnel carrier vehicle, and then retrofit diesel drive trains in a range of vehicles manufactured by PPKME, including the COALTRAM flameproof and explosion proof diesel Load Haul Dump utility vehicles.

The CoalTram enhancements are undergoing regulatory testing and should be launched later this calendar year.

### Capital Management

PPK raised \$15.400M in November 2020 to accelerate the research, development and commercialisation of previously announced and new BNNT application projects, fund further technology investment opportunities and to facilitate the separation of the mining business as previously announced.

The Company has a finance facility that can be drawn down against the debtors of PPKME up to a maximum of \$4.000M. This facility was not drawn down during the financial year.

### COVID-19

The Group has consistently followed government regulations/guidance and to adapt work practices to protect the safety of staff, customers and other stakeholders. As a result of conscientious personnel the Group has not suffered a reported COVID-19 illness.

The Group has experienced supply chain disruptions, increased costs for overseas shipping and reduced customer orders but has continued with business operations, albeit at a slower pace.

## Directors' Report

for the year ended 30 June 2021

The Group's main operations are at Deakin University's campus located at Geelong, Victoria. To slow the spread of COVID-19 in Victoria, the Victorian government has imposed restrictions from time-to-time. Deakin University, who is contracted to provide the research and development for the Group, has had its own restrictions with access to campus by staff, students and visitors restricted to help maintain health and safety protocols, with staff and visitor access reviewed case-by-case. As a result, limits have been placed on the number of staff and contractors permitted in the workspace at one time thus impacting the BNNT manufacturing plant and the BNNT application research. CIB and PPKME have continued to operate and there have been no shutdowns.

### Dividends

We are pleased to have made a 2.5 cent special dividend by distributing Li-S Energy shares to our shareholders and allowing them to participate in the Li-S Energy IPO.

There have been no other significant changes in the state of affairs during the 2021 financial year or existing at the time of this report.

### REVIEW OF FINANCIAL CONDITION

The Group has maintained its strong balance sheet:

- PPK has \$9.728M of cash and \$1.569M of secured loans to be repaid in the coming months;
- No direct fixed interest debt required to be paid (all fixed interest debt is owed by technology subsidiaries to other technology company shareholders and not secured) and the Directors are confident that additional debt financing would be available, if required;
- Li-S Energy and White Graphene have sufficient funds to finance their planned research and development programs;
- There are no large funding requirements from other subsidiaries or associated entities;
- The Group has a finance facility up to a maximum of \$4.000M from a major Australian bank secured against the debtors of PPK Mining Equipment Pty Ltd, secured by a guarantee and indemnity from PPK Group Limited, PPK Mining Equipment Group Pty Ltd and the subsidiaries of the mining division. This facility was not drawn down during the financial year.

### MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

#### PPK

(1) PPK issued 237,500 shares to the Long Term Incentive Plan Trust Account for the two directors, an executive and senior managers of the Group whose Tranche 4 Performance Rights vested on 1 July 2021.

#### (2) Accounting for BNNTTL as a Subsidiary

On 4 August 2021, the Shareholders' and directors of BNNTTL executed a Deed of Variation of Shareholders Agreement with BNNTTL pursuant to which a number of material changes were made, relevantly resulting in:

- Deakin having a single nominee on the board;
- AIC Investment Corporation being entitled to nominate two directors being Robin Levison and Mark Winfield;
- The directors appointed Glenn Molloy as Chairman;
- Ordinary Decisions of Shareholders will require a simple of votes cast by the Shareholders;
- Special Majority Decisions of the Board is 75%;

As a result of a share buyback on 2 June 2021 PPK now owns 51% of the share capital of BNNTTL but continued to equity account for it at year end as a joint venture due to the terms in the Shareholders Agreement at that date. As a result of executing the Deed of Variation of Shareholders Agreement resulting in the changes noted above, PPK now controls BNNTTL as of 4 August 2021 and accounts for it as a subsidiary.



# Directors' Report

for the year ended 30 June 2021

The summarised financial information of BNNTTL is provided below. This information is based on amounts before inter-company and consolidation eliminations – principally to adjust financial assets at fair value through profit and loss to their cost value and associated deferred tax liabilities.

Summarised statement of financial position	2021 \$'000
<b>Assets</b>	
Cash and cash equivalents	8,672
Receivables and other current assets	1,746
Property, plant and equipment	2,798
Intangibles	2,780
Financial assets at FVTPL	28,700
<b>Total assets</b>	<b>44,696</b>
<b>Liabilities</b>	
Trade and other payables	643
Income tax payable	2,715
Deferred tax liability	7,400
<b>Total liabilities</b>	<b>10,758</b>
<b>Total identifiable net assets</b>	<b>33,938</b>
Attributable to:	
Non-controlling interest	16,630
<b>Net assets attributable to the Group</b>	<b>17,308</b>
<b>Summarised statement of profit or loss</b>	
Revenue from contracts with customers	-
Employee benefit expense	(70)
Administration expenses	(17)
Professional fees	(411)
Depreciation and amortisation expense	(58)
Realised gain (loss) on financial assets at FVTPL	8,500
Unrealised gain (loss) on financial assets at FVTPL	5,500
Profit (loss) for the year before income tax (continuing operations)	13,444
Income tax benefit (expense)	(3,199)
Profit (loss) for the year after income tax (continuing operations)	10,245

If BNNTTL had been acquired on 1 July 2021, revenue for the Group to 4 August 2021 would have been nil and PPK would have recognised a pre-tax loss from BNNTTL of \$0.284M.

BNNTTL will be consolidated from 4 August 2021. The acquisition accounting for the business combination is currently being determined, along with the fair value of acquired amounts, and will be disclosed in the 31 December 2021 half year financial statements.

## (3) Acquisition of a Therapeutic Goods Administration Approved Mask Manufacturing Business

In August 2021, PPK acquired a Therapeutic Goods Administration approved mask manufacturing business and the associated assets to manufacture N95/R2 (everyday use) and 3 ply surgical (molded to a face) masks as a going concern with current capacity to manufacture approximately 5M masks per month operating a single shift per day. The business and assets were acquired for \$1.500M and the land and building, which is leased to the business, has been acquired separately for \$4.279M. The Group paid cash for the business, associated assets, land and building.

(4) On 27 August 2021, the Group drew down \$2.650M from its finance facility.

## Directors' Report

for the year ended 30 June 2021

### Li-S Energy

Li-S Energy has entered into a number of new operational agreements subsequent to the end of the financial year.

#### (1) Supply Agreement with BNNTTL

On 9 July 2021, Li-S Energy and BNNTTL entered into a supply agreement for the supply of BNNTs to Li-S Energy for the purposes of using BNNTs in Li-S Energy's development, testing and manufacture of the Li-S Energy batteries. The key material terms of the supply agreement are as follows:

<b>Term:</b>	The contract commenced on 9 July 2021 for an initial term of 5 years and automatically renews for further 2 year terms unless Li-S Energy elects not to renew the agreement by giving at least 3 months' notice prior to the expiry of the latest term.
<b>Termination:</b>	Either party may terminate the agreement immediately if the other party commits a material breach that is unable to be rectified or where able to be rectified, fails to do so within a cure period, or the other party is insolvent or similar.
<b>Product supplied:</b>	BNNTs with a purity of at least 95% or any other specifications agreed from time to time. The minimum Purchase Order quantity is 10gm.
<b>Permitted Purpose:</b>	Li-S Energy may only order BNNTs from BNNTTL to use BNNTs in the Customer's development, testing and manufacture of batteries (including to stockpile BNNTs for later use in accordance with forecasts) and any other purpose agreed between the parties in writing.
<b>Other terms:</b>	The remainder of the agreement is on the usual commercial terms for a contract of this nature.

#### (2) Distribution Agreement with BNNTTL

On 9 July 2021, Li-S Energy and BNNTTL have entered into a distribution agreement pursuant to which Li-S Energy is appointed as distributor for BNNT products within the battery industry, with certain exclusive distribution rights. The key material terms of the distribution agreement are as follows:

<b>Term:</b>	The contract commenced on 9 July 2021 for an initial term of 5 years and automatically renews for further 2 year terms unless Li-S Energy elects not to renew the agreement by giving at least 3 months' notice prior to the expiry of the latest term.
<b>Termination:</b>	Either party may terminate the agreement immediately if the other party commits a material breach that is unable to be rectified or where able to be rectified, fails to do so within a cure period, or the other party is insolvent or similar.
<b>Product used for distribution:</b>	BNNTs with a purity of at least 95% or any other specifications agreed from time to time. The minimum Purchase Order quantity is 10gm.
<b>Permitted Purpose:</b>	<p>Li-S Energy may only buy BNNTs from BNNTTL for the following Permitted Purposes (including to stockpile BNNTs for later use in accordance with forecasts) and any other purpose agreed between the parties in writing:</p> <ul style="list-style-type: none"> <li>(a) to distribute on an exclusive basis BNNTs to third party customers (<b>Customers</b>), provided the Customers are only permitted to use BNNTs to: <ul style="list-style-type: none"> <li>a. develop, test or manufacture lithium-sulphur batteries; and</li> <li>b. manufacture Li-S Energy's propriety nanomesh products incorporating BNNTs (including Li-Nanomesh); and</li> </ul> </li> <li>(b) to distribute on a non-exclusive basis BNNTs to Customers, provided the Customers are only permitted to use BNNTs to develop, test or manufacture batteries that are not lithium-sulphur batteries.</li> </ul> <p>For clarity, Li-S Energy is not restricted from distributing Li-S Energy's Li-Nanomesh (or other nanomesh products), or BNNTs to Li-S Energy's customers who have a licence from Li-S Energy to manufacture Li-Nanomesh (or other nanomesh products).</p>
<b>Territory:</b>	Worldwide
<b>Nature of Appointment:</b>	Distributor in the Territory for the Permitted Purpose during the Term.

Exclusive distributor for the Permitted Purposes relating to the distribution in respect of lithium-sulphur batteries, for the first seven years of the agreement.

Li-S Energy's 'exclusivity' in respect of distributing Li-Nanomesh and BNNTs for manufacture of Li-Nanomesh is by virtue of Li-S Energy owning the IP required to manufacture Li-Nanomesh.

## Directors' Report

for the year ended 30 June 2021

**Other terms:** The remainder of the agreement is on the usual commercial terms for a contract of this nature.

### (3) Management Services Agreement with PPK Aust

On 9 July 2021, Li-S Energy and PPK Aust have entered into a management services agreement pursuant to which PPK Aust will provide to Li-S Energy administrative support services. The key material terms of the management services agreement are as follows:

**Term:** The contract commenced on 1 May 2021 for an initial term of 3 years and can be renewed by PPK Aust for a further 3 year term upon notice being provided by PPK Aust not later than 3 months prior to the expiry of the initial term.

**Termination:** Either party may terminate the agreement on 30 days' notice if the other party commits a material breach that is unable to be rectified or where able to be rectified, fails to do so within a cure period, or the other party is insolvent or similar.

PPK Aust may terminate the agreement on 30 days' notice if it is not satisfied with the Annual Plan of Li-S Energy.

Li-S Energy may terminate the agreement at will on 6 months' notice.

**Appointment:** PPK Aust is appointed to provide management services to Li-S Energy which will see PPK Aust assist Li-S Energy with its administrative functions such as accounting, record keeping, reporting, assisting with insurance and recruitment. PPK Aust will also provide staff to act in key officer roles including the public officer, chief financial officer and company secretary.

It is also appointed, to the extent permitted by law, facilitate/oversee the funding and capital raising requirements of the company (note this does not include acting as an advisor).

**Fees:** PPK Aust will be paid a fee for providing the management services which will be \$150,000 for the initial three months from 1 May 2021 to 31 July 2021. This fee, together with the scope and performance of the management services, will be subject to review between the parties every 3 months (this allows for resetting of the fee in the event that Li-S Energy experiences business changes that require PPK Aust to provide additional (or reduce) resources to effectively provide the services).

PPK Aust will be paid a funding fee of up to 1% of any debt or capital raised that it facilitates.

PPK Aust will be entitled to recover any disbursements or expenses it incurs on behalf of Li-S Energy or in providing the services.

**Indemnity:** Li-S Energy indemnifies PPK Aust for any loss that arises from the performance by PPK Aust of its obligations under the agreement.

**Other terms:** The remainder of the agreement is on the usual commercial terms for a contract of this nature.

### (4) Research Framework Agreement with Deakin

On 8 July 2021, Li-S Energy and Deakin have entered into a research framework agreement which governs all research projects conducted between Li-S Energy and Deakin as set out in Project Schedules made under the agreement. The key material terms of the research framework agreement are as follows:

**Term:** The contract commenced on 8 July 2021 and continues until terminated.

**Termination:** Either party may terminate the agreement and any Project Schedule immediately if the other party commits a material breach that is unable to be rectified or where able to be rectified, fails to do so within a cure period, or the other party is insolvent or similar.

**Project Schedules:** The parties may from time to time enter into Project Schedules made under the agreement for research projects proposed and negotiated by the parties. Such Project Schedules include terms around payment, steering committees, specified personnel of the parties and insurances required.



## Directors' Report

for the year ended 30 June 2021

### Intellectual Property:

Each party will retain ownership of their respective intellectual property developed prior to the date a Project commences or is acquired or developed independent of the agreement, but grants a non-transferrable licence to the other party to use such background intellectual property for the purposes of the relevant Project.

Any new intellectual property created, developed or discovered in the conduct of a Project vests in Li-S Energy (Project IP). Deakin is granted a non-exclusive, perpetual, non-transferable, royalty free licence to use the Project IP for the purposes of the Project and for non-commercial research, teaching and scholarly pursuits.

Deakin must also seek Li-S Energy's prior consent before it publishes any part of the Project IP as part of any publication.

### (5) Termination of Shareholders Agreement

On 20 July 2021, PPK Aust., Deakin and BNNTTL executed a Deed of Termination of the Shareholders Agreement with Li-S Energy effective on the date of signing.

### (6) Employment Contracts

On 9 July 2021, Li-S Energy has entered into an employment contract with Dr Lee Finniear for his engagement as CEO which contains standard terms and conditions for agreements of this nature, including confidentiality, restraint on competition and retention of intellectual property provisions. The key terms of the employment contract are as follows:

#### Total Remuneration Package:

\$300,000 annual salary (including superannuation).

In addition to his annual salary, Dr Lee Finniear has been granted, and has elected to be issued, 1,000,000 Service Rights vesting over a four year term in accordance with the Executive Rights Plan.

Dr Lee Finniear is also eligible to participate in the Company's short term incentive plan for the 2022 Financial Year up to \$100,000.

#### Term:

The contract commenced on 1 July 2021 and continues until terminated.

#### Termination by CEO:

6 months' notice.

#### Termination by Li-S Energy:

6 months' notice or immediately due to serious misconduct or any reason entitling the Li-S Energy to summarily dismiss Dr Lee Finniear at common law.

#### Non-competition and non-solicitation:

To protect the interests of Li-S Energy and its intellectual property, Dr Lee Finniear will not, directly or indirectly, in any capacity whatsoever, during the term and for 12 months after the termination of the contract,

- (a) be engaged, concerned or interest in any other business or occupation that is or may be in competition with the business carried on by Li-S Energy in Australia;
- (b) induce or encourage a client or customer of Li-S Energy to cease doing business with or reduce the amount of business it would otherwise do with Li-S Energy;
- (c) induce or solicit any officer or employee of Li-S Energy to leave that office or employment; or
- (d) procure or assist someone else to do or attempt to do anything contemplated by way of non-competition or non-solicitation.

As a result of the Dr Lee Finniear entering into an employment contract, the previous consulting agreement with his consultancy company was terminated as at 30 June 2021. Consulting fees paid to or owing to his consultancy company to 30 June 2021 were \$171,700.

On 1 July 2021, Li-S Energy has entered into an employment contract with Dr Steve Rowlands for his engagement as CTO which contains standard terms and conditions for agreements of this nature, including confidentiality, restraint on competition and retention of intellectual property provisions. The key terms of the employment contract are as follows:

#### Total Remuneration Package:

\$176,000 annual salary (including superannuation).

Dr Steve Rowlands is eligible to participate in the Company's short term incentive plan for the 2022 Financial Year up to \$16,000, and the Company's Executive Rights Plan on terms to be confirmed.

The Company will also reimburse Dr Steve Rowlands for all reasonable relocation costs from the UK, including an annual economy return flight to the UK.

#### Term:

The contract commenced on 1 July 2021 (with a three month probation period) and continues until terminated.

## Directors' Report

for the year ended 30 June 2021

<b>Termination by CTO:</b>	2 months' notice during the probation period. 6 months' notice.
<b>Termination by Li-S Energy:</b>	2 months' notice during the probation period. 6 months' notice or immediately due to serious misconduct or any reason entitling the Li-S Energy to summarily dismiss Dr Steve Rowlands at common law.
<b>Non-competition and non-solicitation:</b>	To protect the interests of Li-S Energy and its intellectual property, Dr Steve Rowlands will not, directly or indirectly, in any capacity whatsoever, during the term and for 12 months after the termination of the contract,  (a) be engaged, concerned or interest in any other business or occupation that is or may be in competition with the business carried on by Li-S Energy in Australia; (b) induce or encourage a client or customer of Li-S Energy to cease doing business with or reduce the amount of business it would otherwise do with Li-S Energy; (c) induce or solicit any officer or employee of Li-S Energy to leave that office or employment; or (d) procure or assist someone else to do or attempt to do anything contemplated by way of non-competition or non-solicitation.

### (7) Consulting Agreements

On 16 July 2021, a consulting agreement between Li-S Energy and Glenn Molloy's consultancy company, Corso Management Services Pty Ltd. The key terms of the consultancy agreement are as follows:

<b>Designated Person:</b>	While the contract is between Li-S Energy and Glenn Molloy's consultancy company, the agreement requires that the services to be provided by Glenn Molloy unless otherwise agreed in writing by Li-S Energy and for Glenn Molloy to remain an employee of the consultancy company.
<b>Entitlements:</b>	A daily rate to be agreed between the parties. Mr Molloy is not paid any fees in respect of travel time to and from the locations where work is performed.
<b>Term:</b>	The contract commenced on 12 June 2021 and is for a period of 24 months unless terminated earlier by Li-S Energy as permitted under the agreement.
<b>Termination:</b>	Subject to annual renewal by written agreement, the contract terminates on 12 June 2023 or Li-S Energy can immediately terminate the agreement if Mr Molloy:  (a) commits any act involving fraud, deceit, dishonesty or other serious misconduct (whether in relation to Li-S Energy or otherwise); (b) becomes bankrupt or commits any act of bankruptcy; (c) is charged with any serious criminal offence; (d) refuses or fails to comply with any lawful request made by Li-S Energy or any of its Directors; (e) is unable to properly perform the essential elements of the Chief Commercial Actions Officer role whether as a result of illness, accident or otherwise; or (f) is in breach of any obligations under the contract and fails to rectify the breach within 5 business days after being requested to do by Li-S Energy.  Either party may terminate on 3 months' notice.
<b>Non-competition and non-solicitation:</b>	To protect the interests of Li-S Energy and its intellectual property, Mr Molloy will not, directly or indirectly, in any capacity whatsoever, during the term and for 12 months after the termination of the contract,  (a) be engaged, concerned or interest in any other business or occupation that is or may be in competition with the business carried on by Li-S Energy; (b) induce or encourage a client or customer of Li-S Energy to cease doing business with or reduce the amount of business it would otherwise do with Li-S Energy; (c) induce or solicit any officer or employee of Li-S Energy to leave that office or employment; or (d) procure or assist someone else to do or attempt to do anything contemplated by way of non-competition or non-solicitation.

This restraint will not prevent Mr Molloy from performing his roles or holding his interest in PPK Group Limited entities or entities it holds an interest in.

## Directors' Report

for the year ended 30 June 2021

On 7 July 2021, a consulting agreement between Li-S Energy and Andrew Cooke's consultancy company, AJC Corporate Services Pty Ltd was entered into. The agreement is made on standard commercial terms for services for the provision of company secretarial services.

### (8) Australian Research Council Industrial Transformation Research Hub

Deakin University has been awarded grant funding by the Australian Research Council (ARC) to establish and operate the ARC Industrial Transformation Research Hub in new safe reliable energy storage and conversion technologies. Under the grant agreement Deakin University must enter into a participant's agreement with each participating organisation before the research program can start.

On 11 May 2021, Li-S Energy signed the participant's agreement and the contract commences when all parties have executed their agreement. As at 30 June 2021, the other participants had not yet signed the agreement.

<b>Commitment:</b>	Cash contributions of \$150,000 per year for five years totalling \$750,000 and in-kind contributions of \$50,000 per year for five years totalling \$250,000.
<b>Term:</b>	The contract is for a period of 5 years unless terminated earlier by ARC as permitted under the agreement.
<b>Termination:</b>	The contract terminates on the fifth anniversary of the commencement date of the agreement or the date of which the final report is submitted to the ARC, whichever is later. Deakin University may terminate this agreement if the grant agreement with ARC is terminated for any reason or if the ARC suspends or reduces the scope of the research program or grant funding. Alternatively the agreement may be terminated if the participating organisations agree there is no longer a valid reason for continuing with the research program.

### White Graphene

On 30 June 2021, Deakin amended the payment terms of its research and development agreement with WGL. The first instalment of \$503,000, of the total agreement costs of \$1,443,000, due on 1 July 2021 has been paid and the remaining terms and conditions of the research and development agreement have not changed.

### Lodgement of IPO Prospectus and Proposed Capital Raising

On 29 July 2021, Li-S Energy lodged a prospectus to raise \$34,000,000, issue 40,000,000 ordinary shares and list on the ASX. As a result of this prospectus, the number of ordinary shares potentially outstanding is as follows:

	Number of Ordinary Shares
Outstanding and issued at 30 June 2021	600,200,230
Issued as a result of capital raising in the prospectus	40,000,000
Total outstanding and issued at the completion of the prospectus	640,200,230
Potentially issuable ordinary shares under the Service Rights as detailed in the Remuneration Report disclosed in the Directors' Report <sup>1</sup>	3,160,000
Issued and potentially issuable ordinary shares at the date of the prospectus	643,360,230

<sup>1</sup> Assuming all Service Rights vest and are converted to ordinary Shares.

At the completion of the capital raise, PPK will own 45.43% of the capital directly, and 50.12% on a consolidated basis.



## Directors' Report

for the year ended 30 June 2021

### Impact of COVID-19

Events relating to COVID-19 have resulted in significant economic volatility. There is continued uncertainty as to the ongoing and future response of governments and authorities globally, and a further Australian economic downturn is possible. As such, the full impact of COVID-19 to consumer behavior, employees and the Group are not fully known. Given this, the impact of COVID-19 could potentially be materially adverse to the Group's financial and/or operational performance. Further, any government or industry measures may materially adversely affect the Group's operations and are likely beyond the Group's control.

Due to COVID-19, the State and Federal Governments have imposed social-distancing restrictions which have, and may, disrupt the operations of the Group. The Group's main operations are at Deakin University's campus located at Geelong, Victoria. To slow the spread of COVID-19 in Victoria, the Victorian government has imposed restrictions from time-to-time. Deakin University, who is contracted to provide the research and development for the Group, has had its own restrictions with access to campus by staff, students and visitors restricted to help maintain health and safety protocols, with staff and visitor access reviewed case-by-case. As a result, limits have been placed on the number of staff and contractors permitted in the workspace at one time. It is unknown whether stricter restrictions will be imposed and what the impact of these would be on the operations of the Group.

Due to COVID-19, the manufacture of equipment and parts and the supply of raw materials in foreign markets may be restricted or delayed which could impact on the Group's operations.

There have been no other matter or circumstance that has arisen since the end of the financial period which is not otherwise dealt with in this report or in the financial statements that has significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

### FUTURE DEVELOPMENTS

The likely developments in the operations of PPK and the expected results of those operations in financial years subsequent to the year ended 30 June 2020 are included in the Executive Chairman's Report set out on pages 2 to 6 and which forms part of this report.

### ENVIRONMENTAL ISSUES

PPK remains committed to:

- the effective management of environmental issues having the potential to impact on its remaining business; and
- minimising the consumption of resources utilised by its operations.

The Company has otherwise complied with all government legislation and regulations with respect to disposal of waste and other materials and has not received any notices of breach of environmental laws and/or regulations. The Company's approach to environmental sustainability is outlined in its Environmental Policy at [www.ppkgroup.com.au](http://www.ppkgroup.com.au).

### PROCEEDINGS ON BEHALF OF COMPANY

The Company is defending a claim in the Supreme Court of NSW in relation to a dispute pertaining to the vesting conditions of a business acquired in 2014 with a vendor employee for the issue of a second tranche of \$0.500M of shares plus interest and costs. As advised in the 2016 Annual Report, the Company does not believe the vesting conditions were met and still maintains this position. The Company has incurred \$0.361M this financial year to defend this position.

No other matter or circumstance has arisen which is not otherwise dealt with in this Annual Report that has significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations or the state of the consolidated entity in subsequent years.

# Directors' Report

for the year ended 30 June 2021

## REMUNERATION REPORT (audited)

The Directors of PPK present the Remuneration Report for non-executive directors, executive directors and other management personnel, prepared in accordance with the *Corporations Act 2001* and the Corporations Regulations 2001. The Directors have determined that they and the Chief Financial Officer are the key management personnel.

### Remuneration Policy

The remuneration policy of the Company has been designed to align directors', executives' and senior managers' objectives and performance with shareholder and business results by providing a fixed remuneration component and offering specific Short Term Incentives (STIs) based on key performance areas affecting the Group's financial results and Long Term Incentives (LTIs) based on increases to PPK's share price and retention of key people.

The PPK Board believes the remuneration policy to be appropriate and effective in its ability to attract, retain and motivate directors, executives and senior managers of high quality and standard to manage the affairs of the Group, as well as, create goal congruence between directors, executives, senior managers and shareholders.

The remuneration policy, setting the terms and conditions for executive directors, executives and senior managers was developed by the Board. The policy for determining the nature and amount of remuneration for board members, executives and senior managers of the consolidated entity is detailed in the paragraphs which follow.

Remuneration of non-executive directors is determined by the Board from the maximum amount available for distribution to the non-executive directors as approved by shareholders. Currently this amount is set at \$0.400M per annum in aggregate as approved by shareholders at the Annual General Meeting on 26 November 2019.

In determining the appropriate level of directors' fees, data from surveys undertaken of other public companies similar in size or market section to the Company is taken into account.

Non-executive directors are remunerated by means of cash benefits. They are not entitled to participate in performance based remuneration practices unless approved by shareholders. The Company will not generally use options as a means of remuneration for non-executive directors and will continue to remunerate those directors by means of cash benefits. However, A McDonald was offered 50,000 performance rights due to the time and services provided in connection with the BNNT acquisition and its subsequent development and advancement and this was approved by the shareholders at the Annual General Meeting on 26 November 2019.

PPK does not provide retirement benefits for its non-executive directors. Executive directors do not receive director's fees.

The Board is responsible for approving remuneration policies and packages applicable to executive directors, executives and senior managers of the Company. The broad remuneration policy is to ensure that the remuneration package properly reflects the person's duties and responsibilities and that the remuneration is competitive in attracting, retaining and motivating people of high quality and standard.

A review of the compensation arrangements for executive directors, executives and managers is conducted by the full Board at a duly constituted Directors' meeting.

The Board conducts its review annually based on established criteria which includes:

- the individual's performance;
- reference to market data for broadly comparable positions or skill sets in similar organisations or industry;
- the performance of the Group during the relevant period; and
- the broad remuneration policy of the Group.

Executive directors, executives and senior managers may receive bonuses and/or fees based on the achievement of specific goals of the consolidated entity.

### Company Performance and Shareholder Wealth for Executive and Senior Managers Remuneration

The two methods employed in achieving this aim are:

#### Short Term Incentives

PPK has an STI in place which is paid as salary and superannuation above their normal contracts and aligned with key performance indicators (KPIs) as determined by the board. The KPIs are developed from the strategic and operating plans and are chosen to reflect the core drivers of short-term performance and deliver sustainable value to the Company, its shareholders and its customers. Participation in the STI is considered on an annual basis.

## Directors' Report

for the year ended 30 June 2021

### Long Term Incentives (LTI)

PPK is in the process of reviewing and modifying its LTI Plan consistent with the change in its business strategy and the role in which it performs going forward. As at the date of this report, the Board has not finalised the LTI Plan.

For the purposes of this and the previous financial year, PPK had an LTI in place which is managed as a Trust on behalf of two directors, an executive and senior managers of the Group. The Directors determine who will be offered Performance Rights, which can be converted to PPK shares on a one-for-one basis subject to the PPK share price meeting set price targets and the executive director and employees continuing their employment to the vesting date. The LTI was approved by shareholders at the Annual General Meeting on 27 November 2018.

At the time that the Directors set the share price targets, PPK shares were trading at \$0.21 per share and the performance rights to be issued were 2,520,000. As a result of the increase in PPK's share price, the share price targets were met, and the vesting conditions are now subject to the two director and employees continuing their employment to the vesting dates. However, the board considered that as the intent was to reward the executives and senior managers with a value of shares equivalent to their total remuneration to be realised over a period of time, the ASX announcement on 13 November 2018 for the Group to acquire 100% of the shares in AICIC, and the resulting strategic 50% holding in BNNT Technology Limited, led to a significant increase in the PPK share price in a short period of time and that this was not the direct outcome of the executives or senior managers actions of the Mining Services segment.

As a result, in July 2019 the board modified the performance rights to the executives and senior managers that would deliver a total remuneration value that was equal under the original LTI and the modified LTI. The board considers there to be no change in the original vesting conditions. The share price targets, based on a 5-trading day volume weighted average price, the vesting conditions and the total number of performance rights offered, as modified in July 2019, are:

Share Price Targets	Vesting Conditions	Original No of Performance Rights <sup>(1)</sup>	Amended No of Performance Rights <sup>(1)</sup>
\$0.30 per share by 1 January 2019	Fully vest on 1 January 2020 <sup>(2)</sup>	380,000	140,000
\$0.40 per share by 1 January 2020	Fully vest on 1 July 2020 <sup>(2)</sup>	380,000	140,000
\$0.50 per share by 1 January 2021	Fully vest on 1 January 2021 <sup>(2)</sup>	380,000	140,000
\$0.60 per share by 1 January 2021	Fully vest on 1 July 2021	380,000	140,000
		<b>1,520,000</b>	<b>560,000</b>

(1) The performance rights have been adjusted for those foregone by a senior manager who left employment before the performance rights vested.

(2) Modified performance rights have vested.

PPK can issue shares to the Trustee or fund the purchase of PPK shares, in the open market, on behalf of the Trustee. Once this occurs, the Trustee will hold the PPK shares on behalf of the participants until such time that the vesting conditions for Performance Rights are met. Once the vesting conditions are met, the participants can apply to have the shares sold or transferred to the applicable participant.

Performance Rights had the following share price targets as a performance condition and a vesting condition attached to them. The performance conditions were based on a 5 day volume weighted average share price and, at the time that the Directors set the share price targets, PPK shares were trading at \$0.21 per share. The vesting condition dates were selected based on sustainable share price growth over a reasonable period of time. At the date of this Annual Report, all performance and vesting conditions have been met and all performance rights were vested.

Share Price Targets	Vesting Conditions
\$0.30 per share by 1 January 2019	Fully vest on 1 January 2020
\$0.40 per share by 1 January 2020	Fully vest on 1 July 2020
\$0.50 per share by 1 January 2021	Fully vest on 1 January 2021
\$0.60 per share by 1 January 2021	Fully vest on 1 July 2021

## Directors' Report

for the year ended 30 June 2021

### Company Performance and Shareholder Wealth for Directors

#### PPK Directors

Two directors, D McNamara and A McDonald, participate in the LTI on the same terms and conditions as the Executives and Senior Managers. D McNamara was offered 400,000 performance rights with 100,000 performance rights vesting in Tranche 1 through to Tranche 4 subject to retention of his services to meet the vesting conditions. The performance rights were approved by the shareholders at the Annual General Meeting on 27 November 2018. As noted above, in July 2019 the board modified the performance rights to the D McNamara that would deliver a comparative total remuneration value and the board has considered this to be no change in the original vesting conditions. The share price targets, based on a 5-trading day volume weighted average price, the vesting conditions and the total number of performance rights offered, as modified in July 2019, are:

Share Price Targets	Vesting Conditions	Original No of Performance Rights	Amended No of Performance Rights
\$0.30 per share by 1 January 2019	Fully vest on 1 January 2020	250,000	100,000
\$0.40 per share by 1 January 2020	Fully vest on 1 July 2020	250,000	100,000
\$0.50 per share by 1 January 2021	Fully vest on 1 January 2021	250,000	100,000
\$0.60 per share by 1 January 2021	Fully vest on 1 July 2021	250,000	100,000
		<b>1,000,000</b>	<b>400,000</b>

A McDonald was offered 50,000 performance rights due to the time and services provided in connection with the BNNT acquisition and its subsequent development and advancement and this was approved by the shareholders at the Annual General Meeting on 26 November 2019. The performance rights vest in four equal tranches of 12,500 at the same dates as the existing performance rights, subject to retention of his services to meet the vesting conditions.

At the date of this Annual Report, all performance and vesting conditions for D McNamara and A McDonald have been met and all performance rights were vested.

As at 30 June 2021, the Trust held 0.517M shares in PPK. The Directors have determined PPK will not consolidate the Trust with the entities of PPK as the Trust is for the benefit of the Participants and PPK does not control the Trust.

#### Li-S Energy Directors

Robin Levison and Tony McDonald participate in the Li-S Energy Non-Executive Director (NED) Equity Plan. Both Directors have sacrificed their director fees of \$80,000 per annum over a three year period and were granted 160,000 Service Rights per year over a three year period. The Service Rights were issued as at 1 May 2021 and will vest in three equal tranches on 30 April 2022, 2023 and 2024, providing the NED holds the office of NED on those dates. Each consecutive tranche commences annually on the vesting date of the prior tranche.

The number of Service Rights were calculated by dividing the amount of sacrificed fees by the Share price of \$0.50 per Share being the price at which Shares were issued in the April 2021 capital raise. The fair value of these Service Rights at the time that they were granted have been independently valued at \$0.50 each. There is no amount payable other than the sacrificed fees for the Service Rights.

Each Service Right is an entitlement, upon vesting and exercise, to an ordinary fully paid Share in the Company. Service Rights may not be disposed of at any time except by force of law such as on death and Service Rights may not be exercised prior to vesting but may be exercised at any time once they have vested but must be exercised within 90 days of cessation of holding the office of NED and any role as an employee of the Company.

Each Service Right has a term ending 15 years after the grant date. If not exercised before the end of their term the Service Rights will lapse. The term will be reduced if vested Service Rights are not exercised as required following cessation of being a NED. If a NED ceased to hold the office of a NED during a tranche then Service Rights for that tranche will vest in proportion to the time elapsed as served in the tranche. All subsequent tranches will lapse.

Any unvested Service Rights that do not vest will lapse.

A NED must not enter into an arrangement with anyone if it would have the effect of limiting their exposure to risk in relation to Service Rights (vested or unvested).

If the Board forms the view that a NED has committed an act of fraud, defalcation or gross misconduct in relation to the Company then all unexercised Service Rights will be forfeited.



## Directors' Report

for the year ended 30 June 2021

### Consequences of company performance on shareholder wealth

	2021	2020	2019	2018	2017	2016
Net profit (loss) after tax (\$'000)	(\$5,479)	\$8,254	\$1,800	(\$1,561)	\$560	(\$7,873)
Earnings per share (cents)	(6.4)	9.8	2.6	(2.3)	0.8	(13.4)
Full year ordinary dividends (cents) per share	3.5	2.0	1.0	-	-	-
Year end share price	\$15.95	\$3.11	\$2.77	\$0.30	\$0.20	\$0.20
Shareholder return (annual)	414%	13%	823%	50%	106%	(50%)
Three year average shareholder return	417%					

The above table shows the annual returns to shareholders calculated to include the difference in percentage terms between the dividend yield for the year (based on the average share price during the period) and changes in the price at which shares in the Company are traded between the beginning and the end of the relevant financial year.

### Remuneration Details for the year ended 30 June 2021 for Directors' and Key Management Personnel

Details of the nature and amount of each element of the remuneration of each director and key management personnel ('KMP') of PPK Group Limited are shown in the table below:

2021	Salary & Fees (\$)	Short Term Benefits Cash Bonus (\$)	Non-Monetary (\$)	Post employment Super-annuation (\$)	Long Term Benefits (\$)	Termination Payments (\$)	<sup>(1)</sup> Share Based Payments (\$)	Total (\$)	Performance Related (%)
<b>Directors</b>									
<i>Non-Executive</i>									
<b>A McDonald</b>	50,000	-	-	-	-	-	88,057	138,057	64
<b>G Webb</b>	43,333	-	-	-	-	-	-	43,333	
<i>Executive</i>									
<b>R Levison</b>	215,000	-	-	25,000	-	-	-	240,000	
<b>G Molloy</b>	240,000	-	-	-	-	-	-	240,000	
<b>D McNamara<sup>(2)</sup></b>	200,000	-	-	-	-	-	70,701	270,701	26
<b>Total Directors</b>	<b>748,333</b>	<b>-</b>	<b>-</b>	<b>25,000</b>	<b>-</b>	<b>-</b>	<b>158,758</b>	<b>932,091</b>	
<b>Other Key Management Personnel</b>									
<b>K Hostland<sup>(3)</sup></b>	325,000	150,000	-	25,000	-	-	56,561	556,561	37
<b>Total Other</b>	<b>325,000</b>	<b>150,000</b>	<b>-</b>	<b>25,000</b>	<b>-</b>	<b>-</b>	<b>56,561</b>	<b>556,561</b>	
<b>Total Key Management Personnel</b>	<b>1,073,333</b>	<b>150,000</b>	<b>-</b>	<b>50,000</b>	<b>-</b>	<b>-</b>	<b>215,319</b>	<b>1,488,652</b>	

(1) Equity settled share based payments. Performance rights granted are expensed over the performance period, which includes the year to which the bonus relates and the subsequent vesting period of rights. All performance rights fully vested on 1 July 2021.

(2) D McNamara also has use of a fully maintained motor vehicle.

(3) The cash bonus relates to the 2020 financial year.

## Directors' Report

for the year ended 30 June 2021

Directors and key management personnel were also remunerated by Li-S Energy and White Graphene for the year ended 30 June 2021 as follows:

2021	Salary & Fees (\$)	Short Term Benefits (5) Cash Bonus (\$)	Non-Monetary (\$)	Post employment Super-annuation (\$)	Long Term Benefits (\$)	Termination Payments (\$)	(4) Share Based Payments (\$)	Total (\$)	Performance Related (%)
<b>LI-S ENERGY LIMITED</b>									
R Levison	16,667	100,000	-	-	-	-	24,444	141,111	71
G Molloy	16,667	400,000	-	-	-	-	-	416,667	96
A McDonald	16,667	200,000	-	-	-	-	24,444	241,111	83
K Hostland	-	100,000	-	-	-	-	-	100,000	100
	50,001	800,000	-	-	-	-	48,888	898,889	
<b>WHITE GRAPHENE LIMITED</b>									
R Levison	16,667	-	-	-	-	-	-	16,667	-
G Molloy	16,667	-	-	-	-	-	-	16,667	-
A McDonald	16,667	-	-	-	-	-	-	16,667	-
	50,001	-	-	-	-	-	-	50,001	-

(4) Equity settled share based payments. Service rights granted are expensed over the vesting period from the date of granting to the date that the last tranche vests.

(5) The cash bonus was for services provided by each individual for working extended hours in connection with the preparation of and involvement in the IPO processes and the pre-IPO capital raise, including performing market research, attending additional meetings, prospectus drafting and other related activities which fall outside their normal roles and duties.

Directors and key management personnel also provided services to the other subsidiary companies, the associated companies and the joint venture for which they were not remunerated.

## Directors' Report

for the year ended 30 June 2021

### Remuneration Details for the year ended 30 June 2020 for Directors' and Key Management Personnel

Details of the nature and amount of each element of the remuneration of each director and key management personnel ('KMP') of PPK Group Limited are shown in the table below:

	Salary & Fees (\$)	Short Term Benefits Cash Bonus (\$)	Non-Monetary (\$)	Post employment Super-annuation (\$)	Long Term Benefits (\$)	Termination Payments (\$)	<sup>(1)</sup> Share Based Payments (\$)	Total (\$)	Performance Related (%)
<b>2020</b>									
<b>Directors</b>									
<i>Non-Executive</i>									
<b>G Webb</b>	40,000	-	-	-	-	-	-	40,000	
<b>A McDonald</b>	45,833	-	-	-	-	-	236,943	282,776	84
<i>Executive</i>									
<b>R Levison</b>	215,000	-	-	25,000	-	-	-	240,000	
<b>G Molloy</b>	240,000	-	-	-	-	-	-	240,000	
<b>D McNamara<sup>(2)</sup></b>	200,000	-	-	-	-	-	236,108	436,108	54
<b>Total Directors</b>	740,833	-	-	25,000	-	-	473,051	1,238,884	
<b>Other Key Management Personnel</b>									
<b>K Hostland<sup>(3)</sup></b>	325,000	157,625	-	25,000	-	-	188,886	696,511	50
<b>Total Other</b>	325,000	157,625	-	25,000	-	-	188,886	696,511	
<b>Total Key Management Personnel</b>									
	<b>1,065,833</b>	<b>157,625</b>	<b>-</b>	<b>50,000</b>	<b>-</b>	<b>-</b>	<b>661,937</b>	<b>1,935,395</b>	

(1) Equity settled share based payments. Performance rights granted are expensed over the performance period, which includes the year to which the bonus relates and the subsequent vesting period of rights.

(2) D McNamara also has use of a fully maintained motor vehicle.

(3) The cash bonus relates to the 2019 financial year.

### Performance Income as a Proportion of Total Remuneration

In 2021, K Hostland received an STI award of \$150,000 (2020: \$157,625), after his assessment of annual performance, for achieving targets noted below as set by the Directors for the 2020 financial year representing 92% of his targets. No other bonuses were paid to Key Management Personnel during the year.

Targets	Results	STI Allocation	Outcome
Performance of PPKME	Achieved at Board's discretion	20%	80%
Integration/support of Technology businesses	Achieved at Board's discretion	80%	95%

## Directors' Report

for the year ended 30 June 2021

The table below shows a reconciliation of performance rights held by each KMP for the year ended 30 June 2021.

Name and Grant Dates	Balance at Start of the Year		Granted During Year		Vested		Exercised		Forfeited		Balance at End of Year Unvested	
	Vested	Unvested	No.	%	No.	%	No.	%	No.	%	No.	Maximum \$ value to vest <sup>(1)</sup>
<b>D McNamara</b>												
Tranche 1	100,000						-					
Tranche 2		100,000	100,000	100			-					
Tranche 3		100,000	100,000	100			-					
Tranche 4		100,000					-	-	-	100,000		20,568
<b>A McDonald</b>												
Tranche 1	12,500						-					
Tranche 2		12,500	12,500	100			-					
Tranche 3		12,500	12,500	100			-					
Tranche 4		12,500					-	-	-	12,500		25,225
<b>K Hostland</b>												
Tranche 1	75,000						(56,000)					
Tranche 2		75,000	75,000	100			-					
Tranche 3		75,000	75,000	100			-					
Tranche 4		75,000					-	-	-	75,000		16,455

(1) The maximum value of the performance rights yet to vest has been determined as the amount of the grant date fair value of the performance rights that is yet to be expensed which was calculated using the number of performance rights that were going to be granted. Tranche 4 of the Performance Rights vested on 1 July 2021.

### Fair Value of each performance right at the grant date is:

	Tranche 1	Tranche 2	Tranche 3	Tranche 4
D McNamara	\$0.500	\$0.500	\$0.486	\$0.430
A McDonald	\$6.500	\$6.500	\$6.500	\$6.500
K Hostland	\$0.500	\$0.500	\$0.486	\$0.430

### Employment Agreements

#### R Levison

A consultancy agreement is in place between the parties on the following terms:

Term: Commencing on 1 October 2013 – no fixed term.

Remuneration: Base remuneration under the agreement is \$0.240M per annum.

Duties: Executive Chairman.

Termination: The agreement may be terminated at any time by PPK Group Limited giving not less than 12 months written notice or by Mr Levison giving not less than 6 months written notice.

#### G Molloy

A consultancy agreement is in place between the parties on the following terms:

Term: Commencing on 1 July 2019 – no fixed term.

Remuneration: Base remuneration under the agreement is \$0.240M per annum.

Duties: Executive Director.

Termination: The agreement may be terminated at any time by PPK Group Limited giving not less than 12 months written notice or by Mr Molloy giving not less than 6 months written notice.

Subsequent to the year end, G Molloy entered into a consultancy agreement with Li-S Energy (see Note 37).



## Directors' Report

for the year ended 30 June 2021

### D McNamara

A consultancy agreement is in place between the parties on the following terms:

Term: Commencing on 1 April 2014 – no fixed term.

Remuneration: Base remuneration under the agreement is \$0.200M per annum plus a fully maintained motor vehicle.

Duties: Director of Global Mining.

Termination: The agreement may be terminated at any time by PPK Group Limited by giving not less than 12 months written notice or by Mr McNamara giving not less than 6 months written notice.

### K Hostland

Employment agreement is in place between the parties on the following terms:

Term: Commencing 1 December 2017 (previously under a short term contract as Acting Chief Financial Officer)

Remuneration: Base remuneration of \$0.325M plus \$0.025M superannuation per annum. He also participates in the STI, where he can receive a maximum bonus of 50% of his total base salary for meeting key performance indicators set by the Directors.

Duties: Group Chief Financial Officer/Group Chief Operating Officer

Termination: The agreement may be terminated at any time by either party giving 6 months written notice.

There are no formal employment agreements in place for A McDonald.

As at the end of the financial year, the number of ordinary shares in PPK Group Limited held by directors and Key Management Personnel during the 2021 reporting period is set out below:

2021	Share Balance at Start of Year	November 2020 DRP <sup>(1)</sup>	Shares Transferred from PPK LTIP <sup>(2)</sup>	Shares Acquired <sup>(3)</sup>	Shares Sold	Adjust for Director Ceasing in the Year	Shares Held at the End of the Reporting Period
<b>Directors</b>							
<i>Non-Executive</i>							
<b>R Levison<sup>(4)</sup></b>	4,433,572	11,581	-	-	(345,000)	-	4,100,153
<b>G Molloy<sup>(5)</sup></b>	14,582,610	37,035	-	-	(151,524)	-	14,468,121
<b>D McNamara<sup>(4)</sup></b>	4,530,461	11,834	1,037	-	(1,500,000)	-	3,043,332
<b>A McDonald</b>	407,924	1,066	130	-	-	-	409,120
<b>G Webb<sup>(6)</sup></b>	9,749,399	25,467	-	-	-	(9,774,866)	-
<b>Total Directors</b>	<b>33,703,966</b>	<b>86,983</b>	<b>1,167</b>	<b>-</b>	<b>(1,996,524)</b>	<b>(9,774,866)</b>	<b>22,020,726</b>
<b>Other Key Management Personnel</b>							
<b>K Hostland</b>	254,878	665	56,649	125,000	(8,500)	-	428,692
<b>Total Other</b>	<b>254,878</b>	<b>665</b>	<b>56,649</b>	<b>125,000</b>	<b>(8,500)</b>	<b>-</b>	<b>428,692</b>
<b>Total</b>	<b>33,958,844</b>	<b>87,648</b>	<b>57,816</b>	<b>125,000</b>	<b>(2,005,024)</b>	<b>(9,774,866)</b>	<b>22,449,418</b>

(1) Shares issued @ \$3.8282 per share being the price at which shares were issued to all shareholders participating in the Dividend Reinvestment Plan regarding the dividend paid by the Company on 20 November 2020.

(2) Includes shares issued under the Dividend Reinvestment Plan to PPK LTIP in error and transferred to LTIP participants.

(3) Shares in a related party under the control of the KMP.

(4) Shares sold in conjunction with the Strategic Capital Raise announced 27 November 2020.

(5) Share movement was as a result of retirement as a Trustee from a Trust

(6) Removes G Webb share holding as he ceased to be a Director during the year.

## Directors' Report

for the year ended 30 June 2021

As at the end of the financial year, the number of ordinary shares and Service Rights in Li-S Energy held by directors during the 2021 reporting period is set out below:

2021	Share Balance at Start of Year	Shares Issued via PPK's In-specie Dividend	Shares Acquired	Shares Sold	Shares Held at the End of the Reporting Period	Service Rights Granted During the Reporting Period	Total Securities Held at the End of the Reporting Period
<b>Directors</b>							
R Levison	-	1,576,917	1,200,000	-	2,776,917	480,000	3,256,917
G Molloy	-	5,640,784	800,000	-	6,440,784	-	6,440,784
D McNamara	-	1,247,384	200,000	-	1,447,384	-	1,447,384
A McDonald	-	166,961	700,000	-	866,961	480,000	1,346,961
<b>Total Directors</b>	-	8,632,046	2,900,000	-	11,532,046	960,000	12,492,046

As at 30 June 2021, no Service Rights have vested.

### OTHER TRANSACTIONS WITH RELATED PARTIES OF THE GROUP

See Note 35. There were no other transactions with directors and/or their related parties during the year.

(End of Audited Remuneration Report)

### MEETINGS OF DIRECTORS

During the financial year, meetings of directors (including committee meetings) were held. Attendances were:

	DIRECTORS' MEETINGS		AUDIT COMMITTEE MEETINGS	
	Number Eligible to attend	Number Attended	Number Eligible to attend	Number Attended
R Levison	12	12	-	-
G Molloy	12	12	2	2
D McNamara	12	12	-	-
A McDonald	12	12	2	2
G Webb	7	7	-	-

### CORPORATE GOVERNANCE STATEMENT

PPK's directors and management are committed to conducting the Group's business ethically and in accordance with high standards of corporate governance. A copy of PPK's Corporate Governance Statement can be found in the corporate governance section of PPK's website at [www.ppkgroup.com.au](http://www.ppkgroup.com.au).

### RISK & CONTROL COMPLIANCE STATEMENT

Under ASX Listing Rules and the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations ("ASX Recommendations 4<sup>th</sup> edition"), the Company is required to disclose in its Annual Report the extent of its compliance with the ASX Recommendations.

Throughout the reporting period, and as at the date of signing of this Directors' Report, the Company was in compliance with a majority of the ASX Recommendations in all material respects as more fully detailed in PPK's corporate governance section as set out on its website.

In accordance with the Recommendations, the Board has:

- received and considered reports from management regarding the effectiveness of the Company's management of its material business risks; and
- received assurance from the people performing each of the Chief Executive Officer and Chief Financial Officer functions regarding the consolidated financial statements and the effective operation of risk management systems and internal controls in relation to financial reporting risks.

Material associates and joint ventures, which the company does not control, are not dealt with for the purposes of this statement.

## Directors' Report

for the year ended 30 June 2021

### AUDIT COMMITTEE

The details of the composition, role and Terms of Reference of the PPK Audit Committee are available on the Company's website at [www.ppkgroup.com.au](http://www.ppkgroup.com.au).

During the reporting period, the PPK Audit Committee consisted of the following:

G Molloy (Appointed Chairman: 14 August 2017)	Executive Director
A McDonald (Appointed: 25 January 2018)	Non-Executive Independent Director

The Company's lead signing and review External Audit Partner, Chairman, Chief Financial Officer and selected consultants attend meetings of the Audit Committee by standing invitation.

### DIRECTORS' AND AUDITORS' INDEMNIFICATION

During or since the end of the financial year the company has given an indemnity or entered an agreement to indemnify, or paid or agreed to pay insurance premiums as follows:

The Company has paid premiums during 2021 of \$0.111M (2020: \$0.111M) for the year ending 31 May 2021 to insure all directors of the parent entity and officers of the consolidated entity against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director or officer of the Company, other than conduct involving a wilful breach of duty in relation to the Company.

To the extent permitted by law, the Company has agreed to indemnify its auditors, EY, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify EY during or since the financial year.

### NON-AUDIT SERVICES

In 2021, the external auditors were engaged to provide tax compliance and an Independent Limited Assurance Report in relation to the Li-S Energy IPO and were costs of \$0.248M were accrued or paid (2020: \$0.100M).

### AUDIT INDEPENDENCE

The lead auditor has provided the Auditor's Independence Declaration under section 307C of the *Corporations Act 2001* (Cth) for the year ended 30 June 2021 and a copy of this declaration forms part of the Directors' Report.

### ROUNDING OF ACCOUNTS

The amounts contained in the financial report have been rounded to the nearest \$1,000 (where rounding is applicable) where noted (\$'000) under the option available to the Company under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The Company is an entity to which this legislative instrument applies.

Signed in accordance with a resolution of the Board of Directors.



**Robin Levison**  
Executive Chairman



**Glenn Molloy**  
Executive Director

Brisbane, 31 August 2021

## Auditor's Independence Declaration



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### Auditor's independence declaration to the directors of PPK Group Limited

As lead auditor for the audit of the financial report of PPK Group Limited for the financial year ended 30 June 2021, I declare to the best of my knowledge and belief, there have been:

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

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

A handwritten signature in black ink that reads 'Ernst &amp; Young'.

Ernst & Young

A handwritten signature in black ink that reads 'Brad Tozer'.

Brad Tozer  
Partner  
31 August 2021



# Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2021

	Notes	Consolidated Entity	
		2021 \$'000	2020 \$'000
<b>Continuing operations</b>			
Revenue from contracts with customers		-	-
Cost of sales		-	-
<b>GROSS PROFIT</b>		-	-
Rental income	3.1	44	-
Other operating income (loss)	3.2	(615)	9,376
Mining services expenses		-	-
Technology expenses		(2,243)	(231)
Corporate expenses		(3,163)	(4,033)
Finance costs		-	-
Share of profit of an associate and a joint venture	20.3	(198)	766
<b>PROFIT (LOSS) BEFORE TAX EXPENSE FROM CONTINUING OPERATIONS</b>	4.1	(6,175)	5,878
Income tax (expense)/benefit		599	(240)
<b>PROFIT (LOSS) AFTER TAX EXPENSE FROM CONTINUING OPERATIONS</b>		(5,576)	5,638
<b>Discontinuing operations</b>			
<b>PROFIT (LOSS) AFTER TAX EXPENSE FROM DISPOSAL GROUP</b>	13	(742)	2,616
<b>PROFIT (LOSS) FOR THE YEAR</b>		(6,318)	8,254
<b>PROFIT (LOSS) IS ATTRIBUTED TO:</b>			
Owners of PPK Group Limited		(5,479)	8,269
Non-controlling interests		(839)	(15)
		(6,318)	8,254
<b>OTHER COMPREHENSIVE INCOME</b>			
<i>Items that will not be reclassified to profit or loss, net of tax</i>			
Revaluation of land and buildings before related tax effects		-	-
<b>Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods</b>		-	-
<b>NET OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR</b>		-	-
<b>TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR</b>		(6,318)	8,254
<b>TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR IS ATTRIBUTABLE TO:</b>			
Owners of PPK Group Limited		(5,479)	8,269
Non-controlling interests		(839)	(15)
		(6,318)	8,254

## Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2021

	Notes	Consolidated Entity	
		2021 \$'000	2020 \$'000
<b>Earnings per share (in cents)</b>			
Basic	11	(6.3)	9.8
Diluted	11	(6.3)	9.7
Earnings per share from continuing operations (in cents)			
Basic	11	(5.4)	6.7
Diluted	11	(5.4)	6.6
Earnings per share from discontinued operations (in cents)			
Basic	11	(0.8)	3.1
Diluted	11	(0.8)	3.1

The accompanying notes form part of these financial statements

# Consolidated Statement of Financial Position

as at 30 June 2021

	Notes	Consolidated Entity	
		2021 \$'000	2020 \$'000
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	14	30,365	5,344
Trade and other receivables	15	1,721	6,324
Contract assets	16	-	1,659
Inventories	17	-	10,594
Other current assets	18	110	742
Current Disposal Group assets	13	28,734	-
<b>TOTAL CURRENT ASSETS</b>		<b>60,930</b>	24,663
<b>NON-CURRENT ASSETS</b>			
Investments in associates and a joint venture	20	28,126	25,086
Investment	21	4,472	2,547
Property, plant and equipment	22	530	5,240
Right-of-use assets	23	-	3,628
Intangibles	24	1,622	3,038
Deferred tax assets	7	922	-
Other assets		-	37
<b>TOTAL NON-CURRENT ASSETS</b>		<b>35,672</b>	39,576
<b>TOTAL ASSETS</b>		<b>96,602</b>	64,239
<b>CURRENT LIABILITIES</b>			
Trade and other payables	25	357	4,333
Lease and other liabilities	26	-	1,681
Interest-bearing loans and borrowings	27	399	152
Provisions	28	134	1,581
Disposal Group liabilities	13	7,435	-
<b>TOTAL CURRENT LIABILITIES</b>		<b>8,325</b>	7,747
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities	26	-	1,998
Provisions	28	13	301
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>13</b>	2,299
<b>TOTAL LIABILITIES</b>		<b>8,338</b>	10,046
<b>NET ASSETS</b>		<b>88,264</b>	54,193
<b>EQUITY</b>			
Contributed equity	30.1	75,348	59,500
Treasury shares	30.4	(203)	(227)
Reserves	31	19,068	4,143
Reserves of a disposal group held for sale		350	-
Retained earnings (accumulated losses)		(17,915)	(11,325)
Capital and reserves attributable to owners of PPK Group Limited		76,648	52,091
Non-controlling interests		11,616	2,102
<b>TOTAL EQUITY</b>		<b>88,264</b>	54,193

The accompanying notes form part of these financial statements

# Consolidated Statement of Cash Flows

for the year ended 30 June 2021

		Consolidated Entity	
	Notes	2021 \$'000	2020 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash receipts from customers		38,916	48,350
Cash payments to suppliers and employees		(41,596)	(44,754)
Interest received		60	5
Interest paid		(129)	(286)
Net cash provided by (used in) operating activities		(2,749)	3,315
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payment for purchases of plant and equipment		(817)	(721)
Proceeds from sale of property and equipment		446	28
Proceeds from sale of Treasury shares		2,025	-
Payments for intangibles		(2,271)	(1,465)
Payments for loans advanced		(1,914)	-
Proceeds from loans repaid		273	-
Payments for the acquisition of an associate	20.2	(1,500)	(2,750)
Payment for acquisition of investment		(2,597)	(500)
Transaction costs related to acquisition of an associate		-	(219)
Purchase of financial assets at FVTPL		(57)	-
Dividend received from equity accounted investment		362	-
Net cash provided by (used in) investing activities		(6,050)	(5,627)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from other borrowings		395	5,150
Proceeds from capital raisings		38,206	11,750
Repayment of other borrowings		(150)	(7,255)
Principal payment for lease liabilities		(1,722)	(1,557)
Transaction costs on issue of shares	30.2	(1,995)	(697)
Dividends paid	10(d)	(376)	(728)
Dividends received for treasury shares	10(d)	7	6
Finance costs		-	-
Net cash provided by (used in) financing activities		34,365	6,669
Net increase (decrease) in cash held		25,566	4,357
Cash at the beginning of the financial year		5,344	1,047
Cash attributable to discontinued operations	13	(545)	(60)
Cash at the end of the financial year	6.2	30,365	5,344

The accompanying notes form part of these financial statements



# Consolidated Statement of Changes in Equity

for the year ended 30 June 2021

CONSOLIDATED ENTITY	Notes	Issued Capital (Note 30) \$'000	Treasury Shares (Note 30.4) \$'000	Accumulated Losses \$'000	Capital Reserves (Note 31) \$'000	Reserve of Disposal Group Held for Sale \$'000	Total Attributable to Owners of PPK Group Ltd \$'000	Non-Controlling Interests \$'000	Total Equity \$'000
At 1 July 2020		59,500	(227)	(11,325)	4,143	-	52,091	2,102	54,193
<b>Total comprehensive income (loss) for the year</b>									
Profit (loss) for the year		-	-	(5,479)	-	-	(5,479)	(839)	(6,318)
<b>Total comprehensive income (loss) for the year</b>		-	-	(5,479)	-	-	(5,479)	(839)	(6,318)
Issue of share capital on private placement	30.2	15,400	-	-	-	-	15,400	-	15,400
Issue of share capital on dividend reinvestment plan	30.2	483	-	-	-	-	483	-	483
Issue of share capital for Long Term Incentive Plan	31.1	784	-	-	(784)	-	-	-	-
Issue of performance rights	31.1	-	-	-	311	-	311	61	372
Transaction costs for issue of share capital	30.2	(819)	-	-	-	-	(819)	-	(819)
Shares purchased		-	(57)	-	-	-	(57)	-	(57)
Treasury shares sold	30.4	-	81	1,944	-	-	2,025	-	2,025
Reserves of a Disposal Group held for sale	13	-	-	-	(350)	350	-	-	-
Dividends paid by in specie distribution	10(d)	-	-	(2,202)	1,939	-	(263)	263	-
Dividends paid		-	-	(853)	-	-	(853)	-	(853)
Issue of capital in a controlled entity		-	-	-	11,887	-	11,887	10,065	21,952
Change in a non-controlling interest held by a controlled entity, net of costs		-	-	-	224	-	224	(224)	-
Change in a non-controlling interest held by an associated entity		-	-	-	1,698	-	1,698	188	1,886
<b>At 30 June 2021</b>		<b>75,348</b>	<b>(203)</b>	<b>(17,915)</b>	<b>19,068</b>	<b>350</b>	<b>76,648</b>	<b>11,616</b>	<b>88,264</b>

The accompanying notes form part of these financial statements

# Consolidated Statement of Changes in Equity

for the year ended 30 June 2020

CONSOLIDATED ENTITY	Notes	Issued Capital (Note 30.1) \$'000	Treasury Shares (Note 30.4) \$'000	Accumulated Losses \$'000	Capital Reserves (Note 31) \$'000	Total Attributable to Owners of PPK Group Ltd \$'000	Non-Controlling Interests \$'000	Total Equity \$'000
<b>At 1 July 2019</b>		47,743	(220)	(17,930)	671	30,264	-	30,264
<b>Total comprehensive income (loss) for the year</b>								
Profit (loss) for the year		-	-	8,269	-	8,269	(15)	8,254
<b>Total comprehensive income (loss) for the year</b>		-	-	8,269	-	8,269	(15)	8,254
Issue of share capital on private placement	30.2	8,500	-	-	-	8,500	-	8,500
Issue of share capital on acquisition	30.2	2,250	-	-	-	2,250	-	2,250
Issue of share capital on dividend reinvestment plan	30.2	949	(7)	-	-	942	-	942
Issue of share capital for Long Term Incentive Plan	30.2	396	-	-	548	944	-	944
Issue of share capital for Employee Share Scheme	30.2	138	-	-	-	138	-	138
Transaction costs for issue of share capital	30.2	(476)	-	-	-	(476)	-	(476)
Changes in holding of non-controlling interests		-	-	-	2,924	2,924	2,117	5,041
Dividends paid	10(d)	-	-	(1,664)	-	(1,664)	-	(1,664)
<b>At 30 June 2020</b>		59,500	(227)	(11,325)	4,143	52,091	2,102	54,193

The accompanying notes form part of these financial statements

# Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

## NOTE 1 CORPORATE INFORMATION

The financial statements of PPK Group Limited ("PPK" or "the Group") for the year ended 30 June 2021 were authorised for issue in accordance with a resolution of the Directors on 31 August 2021 and covers PPK Group Limited and its controlled entities as required by the Corporation Act 2001.

PPK is a for-profit company limited by shares, incorporated in Australia. Its shares are publicly traded on the Australian Securities Exchange.

Separate financial statements for PPK Group Limited ("Parent Company") as an individual entity are not required to be presented, however, limited financial information for PPK Group Limited is provided as an individual entity in Note 12.

The nature of the operations and principal activities of the Group are:

Technology - to expand and profit from the manufacture of high-grade boron nitride nanotubes (BNNT) in commercial quantities using Deakin University's patented technology to;

- supply BNNT to select industries to enable industries to enable further research and development into the blending/infusing of BNNT into conventional materials. This process can be transformative in terms of reduced weight and increased strength; and
- maintain an ongoing equity interest in selected BNNT product applications such as lithium sulphur battery products (Li-S Energy Limited), white graphene (White Graphene Limited), metal alloys (Strategic Alloys Pty Ltd) armaments (Craig International Ballistics Pty Ltd and Ballistic Glass Pty Ltd), dental applications (3D Dental Technology Pty Ltd) and precious metals (BNNT Precious Metals Limited).

## NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of Preparation and Statement of Compliance

The consolidated general purpose financial statements of the Group have been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. Compliance with Australian Accounting Standards results in full compliance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

The financial statements have been prepared on an accruals basis and are based on historical costs, except for investments measured at fair value.

The consolidated financial statements provide comparative information in respect of the previous period.

The accounting policies have been consistently applied to the entities of the consolidated entity unless otherwise stated.

PPK is a type of company referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and therefore, amounts in the financial statements and Directors' report have been rounded to the nearest thousand dollars, or in certain cases, to the nearest dollar.

### 2.2 New and revised standards that are effective for these financial statements

The Group applied for the first time certain standards and amendments, which are effective for the financial period ended 30 June 2021. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

#### AASB 2018-6 Amendments to Australian Accounting Standards – Definition of a Business

AASB 2018-6 amends AASB 3 to clarify that to be considered a business, an integrated set of activities and assets included, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all the inputs and processes needed to create outputs. These amendments had no impact on the financial statements of the Group, but may impact future periods should the Group enter into any business combinations.

#### AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material

AASB 2018-7 principally amends AASB 101 *Presentation of Financial Statements* and AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity". The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by primary users. These amendments had no impact on the financial statements of, nor is there expected to be any future impact to the Group.

# Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

## NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.2 New and revised standards that are effective for these financial statements (continued)

#### AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework

AASB 2019-1 amends Australian Accounting Standards, Interpretations and other pronouncements to reflect the issuance of the revised Conceptual Framework for Financial Reporting (Conceptual Framework).

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the conceptual framework is to assist the AASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which develop their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the financial statements of the Company.

### 2.3 Basis of consolidation

The Group financial statements consolidate those of the Parent Company, PPK Group Limited, and all of the entities that the Group controls at 30 June each year.

The Parent Company controls an entity if it is exposed, or has rights, to variable returns from its involvement with the entity and could affect those returns through its power over the entity. Potential voting rights that are substantive, whether or not they are exercisable or convertible, are considered when assessing control. All entities have a reporting date of 30 June.

All intercompany balances and transactions, including unrealised profits arising from intergroup transactions have been eliminated on consolidation. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective.

Profit or loss and other comprehensive income of entities acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Non-controlling interests, presented as part of equity, represent the portion of an entity's profit or loss and net assets that is not held by the Group.

The Group attributes total comprehensive income or loss of an entity between the owners of the parent and the non-controlling interests based on their respective ownership interests. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

### 2.4 Business combination

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of an entity is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of: (a) fair value of consideration transferred, (b) the recognised amount of any non-controlling interest in the acquiree, and (c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognised in profit or loss immediately.

### 2.5 Investment in joint venture

A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

The Group has a contractual arrangement whereby decisions about the relevant activities of the joint venture require the unanimous consent of the joint venturers that control the joint venture. A joint venture is accounted for in the consolidated financial statements as an investment and accounts for the investment using the equity method of accounting. Under the equity method the Group's share of the post-acquisition profit or loss of the joint venture is recognised in consolidated profit or loss and the Group's share of the post-acquisition movements in other comprehensive income of the joint venture is recognised in consolidated other comprehensive income. However, before applying equity accounting, the Group adjusts for any post-acquisition movements attributable to investments in subsidiaries of the Group. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends and distributions received from the joint venture reduces the carrying amount of the investment in the consolidated financial statements.

# Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

## NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.5 Investment in joint venture (continued)

Any goodwill or fair value adjustment attributable to the Group's share in the joint venture is not recognised separately and is included in the amount recognised as an investment.

When the Group's share of post-acquisition losses in a joint venture exceeds its interest in the joint venture (including any unsecured receivables), the Group does not recognise further losses unless it has obligations to, or has made payments, on behalf of the joint venture.

### 2.6 Investments in associates

Associates are entities over which the Group has significant influence but not control. Associates are accounted for in the consolidated financial statements using the equity method of accounting. Under the equity method the Group's share of the post-acquisition profit or loss of the associates is recognised in consolidated profit or loss and the Group's share of the post-acquisition movements in other comprehensive income of associates is recognised in consolidated other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends and distributions received from associates reduce the carrying amount of the investment in the consolidated financial statements.

Any goodwill or fair value adjustment attributable to the Group's share in the associate is not recognised separately and is included in the amount recognised as investment.

When the Group's share of post-acquisition losses in an associate exceeds its interest in the associate (including any unsecured receivables), the Group does not recognise further losses unless it has obligations to, or has made payments, on behalf of the associate.

### 2.7 Foreign currency translation

The consolidated financial statements are presented in Australian Dollars (\$AUD), which is also the functional currency of the Parent Company.

Foreign currency transactions during the period are converted to Australian currency at rates of exchange applicable at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses, whether realised or unrealised, resulting from the settlement of such transactions, amounts receivable and payable in foreign currency at the reporting date, and from the re-measurement of monetary items at year end exchange rates are recognised in profit and loss.

Non-monetary items are not retranslated at year end and are measured at historical cost (translated using the exchange rate at the date of the transaction), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

### 2.8 Revenue and revenue recognition

Revenue arises mainly from the short term lease of a property, interest earned on loans and government grants.

#### Lease income

Lease income is recognised over the lease term using the net investment method which reflects a constant periodic rate of return.

#### Interest income

Revenue is recognised as it accrues using the effective interest rate method. The effective interest method uses the effective interest rate which is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial asset.

#### Government grants

Income from government grants is 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. When the grant relates to an income item, it is recognised in the profit and loss when the Company will comply with all attached conditions. When the grant relates to an expense item, it is recognised in the profit and loss as other operating income on a systematic basis over the periods in which the Company recognises as expense the related costs for which the grants are intended to compensate. When the grant relates to an asset, it is presented in the statement of financial position by deducting the grant in arriving at the carrying amount of the asset.

### 2.9 Operating expenses

Operating expenses are recognised in the profit or loss upon utilisation of the services or at the date of their origin.

### 2.10 Share-based payments

The Group operates equity-settled share right-based incentive plans for its directors and employees. None of the Group's plans feature any share rights for a cash settlement.

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where directors and employees are rewarded using share right-based payments, the cost of directors' and employees' services is determined by the fair value at the date when the grant is made using an appropriate valuation model and revalued when modified. Market performance conditions and service conditions are reflected within the grant date fair value.

All share-based remuneration is ultimately recognised in employee benefits expense with a corresponding credit to share rights reserve. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on best available estimate of the number of share rights expected to vest.



# Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

## NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.10 Share-based payments (continued)

Non-market vesting conditions are included in assumptions about the number of share rights that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share rights expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share rights ultimately exercised are different to that estimated on vesting.

When the terms of an equity-settled award are modified, the minimum expense recognised is the grant date fair value of the unmodified award, provided the original vesting terms of the award are met. An additional expense, measured as at the date of modification, is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

### 2.11 Finance costs

All borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period that is necessary to complete and prepare the asset for its intended use or sale. Other finance and borrowing costs are expensed in the period in which they are incurred and reported in finance costs.

### 2.12 Cash

For the purposes of the statement of cash flows, cash includes cash on hand, and at call deposits with banks or financial institutions, net of bank overdrafts as they are considered an integral part of the Group's cash management.

### 2.13 Trade receivables and other receivables

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through the profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

For trade receivables and contract assets, the Group applies a simplified approach to calculating ECLs. The Group recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

### 2.14 Property, plant and equipment

Land and buildings are brought to account at cost less, where applicable, any accumulated depreciation. After initial recognition, land and buildings are measured at fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Plant and equipment are brought to account at cost less, where applicable, any accumulated depreciation or amortisation and impairment. The cost of fixed assets constructed within the Group includes the cost of materials used in construction, direct labour and an appropriate proportion of fixed and variable overheads.

The depreciable amount of all fixed assets, including buildings and capitalised leased assets but excluding freehold land, is depreciated over their useful lives to the consolidated entity commencing from the time the asset is held ready for use. Leasehold improvements are amortised over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The gain or loss on disposal of all fixed assets is determined as the difference between the carrying amount of the asset at the time of disposal and the proceeds of disposal, and is included in the profit before income tax of the consolidated entity in the year of disposal.

Class of Fixed Asset	Depreciation Rate Straight Line
Leasehold Improvements	over the term of the lease
Plant & Equipment	10-50 %

### 2.15 Intangible assets

#### Research and Development

Research is recognised as an expense as incurred. Costs incurred on development (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will, after considering its commercial and technical feasibility, be completed and generate future economic benefits and its costs can be measured reliably. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets at cost less any accumulated amortisation and impairment losses and amortised over the period of expected future sales from the related projects which vary from 5 - 7 years. The carrying value of development costs is tested annually for impairment when the asset is not yet ready for use, or when events or circumstances indicate that the carrying value may be impaired.

# Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

## NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.16 Financial instruments

#### Initial recognition and measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

The Company's investment in Zeta Energy LLC is at fair value through profit and loss.

#### i) Financial assets

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

Financial assets are classified according to the characteristics of their contractual cash flow and the Group's business model for managing them. Except for those trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do contain a significant financing component for which the Group has applied the practical expedient are measured at the transaction price as disclosed in Note 2.13.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are "solely payments of principal and interest (SPPI)" on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit and loss ("FVTPL"), irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date (i.e. the date that the Group commits to purchase or sell the asset).

#### Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through the OCI with no recycling of cumulative gains or losses upon derecognition (equity instruments)
- Financial assets at FVTPL

#### Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised.

The Group's financial assets at amortised cost includes trade receivables.

#### Financial assets fair value through OCI (debt instruments)

For debt instruments at fair value through OCI, interest income, impairment losses or reversals are recognised in the statement of profit and loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition the cumulative fair value change recognised in OCI is recycled to profit or loss.

The Group has no debt instruments at fair value through OCI.

#### Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under AASB 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefit from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group has no equity instruments at fair value through OCI.

# Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

## NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.16 Financial instruments (continued)

#### Financial assets at FVTPL

Financial assets at FVTPL are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit and loss.

This category includes derivative instruments, listed and unlisted equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are recognised as other income in the statement of profit or loss when the right of payment has been established.

#### Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group similar financial assets) is primarily derecognised (i.e. removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement, and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all of the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a "pass-through" arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

#### Impairment

Further disclosures relating to impairment of financial assets are also provided in Note 2.24.

#### ii) Financial liabilities

##### Initial measurement and recognition

Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, loans and borrowings, payables, or as derivatives as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable financial statements.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

##### Subsequent measurement

For the purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at FVTPL
- Financial liabilities at amortised cost (loans and borrowings)

#### Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are designated as hedging instruments in hedge relationships as defined by AASB 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at FVTPL are designated at the initial date of recognition, and only if the criteria in AASB 9 are satisfied.

#### Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

# Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

## NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.16 Financial instruments (continued)

#### Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

#### iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a current enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

### 2.17 Disposal Group held for sale

The Group classifies a disposal group as held for sale if the carrying amounts of their assets will be recovered principally through a listing on a stock exchange or a sale transaction rather than through continuing use. A disposal group classified as held for sale is measured at the lower of their carrying amount and fair value less costs to list or sell. Costs to list or sell are the incremental costs directly attributable to the disposal of the asset of the disposal group, excluding finance and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the disposal group is available for immediate sale in its present condition. Actions required to complete the sale indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the disposal group and the sale is expected to be completed within one year from the date of classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items on the statement of financial position.

A disposal group qualifies as a discontinued operation if it is a component of an entity that has been classified as held for sale and:

- Represents a separate major line of business or geographic area of operations;
- Is part of a single co-ordinate plan to dispose of a separate major line of business or geographic area of operations; or

- Is a subsidiary acquired exclusively with a view to resale.

Held-for-sale assets are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss.

The Disposal Group that is identified in the Segment Information note in the previous year as Mining Equipment. Additional disclosures are provided in Note 13. All other notes to the financial statements include amounts for continuing operations, unless indicated otherwise.

### 2.18 Trade and other payables

These amounts represent unpaid liabilities for goods received and services provided to the Group prior to the end of the financial year. The amounts are unsecured and are normally settled within 30 to 60 days, except for imported items for which 90 or 120 day payment terms are normally available.

### 2.19 Borrowings

All loans and borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the profit or loss statement over the period of the loans and borrowings using the effective interest method. Bank loans are subject to set-off arrangements.

### 2.20 Employee benefit provisions

#### Salary, wages and annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled wholly within 12 months of the end of the reporting period are recognised in other liabilities or provision for employee benefits in respect of employees' services rendered up to the end of the reporting period and are measured at amounts expected to be paid when the liabilities are settled.

#### Long service leave

Liabilities for long service leave are recognised as part of the provision for employee benefits and measure as the present value of expected future payments to be made in respect of services provided by employees to the end of the reporting period using the projected unit credit method. Consideration is given to expected future salaries and wages levels, experience of employee departures and period of service. Expected future payments are discounted using high quality corporate bond rates at the end of the reporting period with terms to maturity that match as close as possible, the estimated future cash outflows.

# Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

## NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.20 Employee benefit provisions (continued)

#### Retirement benefit obligations

The Group contributes to defined contribution superannuation funds for employees. All funds are accumulation plans where the Group contributed various percentages of employee gross incomes, the majority of which were as determined by the superannuation guarantee legislation. Benefits provided are based on accumulated contributions and earnings for each employee. There is no legally enforceable obligation on the Group to contribute to the superannuation plans other than requirements under the superannuation guarantee legislation. Contributions are recognised as expenses as they become payable.

### 2.21 Income tax

The income tax expense for the period is the tax payable on the current period's taxable income based on the notional income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets are only recognised for deductible temporary differences, between carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases, at the tax rates expected to apply when the assets are recovered or liabilities settled, based on those tax rates which are enacted or substantially enacted for each jurisdiction. Exceptions are made for certain temporary differences arising on initial recognition of an asset or liability if they arose in a transaction other than a business combination that at the time of the transaction did not affect either accounting profit or taxable profit.

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

Deferred tax assets and liabilities are not recognised for temporary differences between the carrying amount and tax bases of investments in subsidiaries, associates and interests in joint ventures where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances relating to amounts recognised directly in other comprehensive income or equity are also recognised directly in other comprehensive income or equity.

PPK Group Limited and its wholly owned Australian subsidiaries have implemented the tax consolidation legislation and entered into a tax sharing agreement for the whole of the financial year, where each subsidiary will compensate PPK Group Limited for the amount of

tax payable that would be calculated as if the subsidiary was a tax paying entity. PPK Group Limited is the head entity in the tax consolidated group. The separate taxpayer within a group approach has been used to allocate current income tax expense and deferred tax expense to wholly-owned subsidiaries that form part of the tax consolidated group. PPK Group Limited has assumed all the current tax liabilities and the deferred tax assets arising from unused tax losses for the tax consolidated group via intercompany receivables and payables because a tax funding arrangement has been in place for the whole of the financial year. The amounts receivable/payable under tax funding arrangements are due upon notification by the head entity. Interim funding notices may also be issued by the head entity to its wholly-owned subsidiaries in order for the head entity to be able to pay tax instalments.

### 2.22 Dividends

Provision is made for dividends declared, and no longer at the discretion of the Group, on or before the end of the financial year but not distributed at the end of the reporting period.

### 2.23 Leases

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

#### Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

#### 2.23.1 Right-of-use assets

In the previous year, the Group recognised right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets were measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Buildings	3 years
- Plant and equipment	2 to 3 years
- Motor vehicles and other equipment	2 to 4 years

If ownership of the leased asset transfer to the Group at the end of the lease term or the costs reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.



# Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

## NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.23 Leases (continued)

#### 2.23.2 Lease liabilities

In the previous year, at the commencement date of the lease, the Group recognised lease liabilities measured at the present value of the lease payments to be made over the lease term. The lease payments included fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depended on an index or rate, and amounts expected to be paid under residual lease guarantees. The lease payments also included the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that did not depend on an index or a rate were recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group used its incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease was not readily determinable. After the commencement date, the amount of lease liabilities was increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (i.e. changes to future payments resulting from a change in an index or rate to be used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

#### 2.23.3 Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of buildings (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expenses on a straight-line basis over the lease term.

#### 2.23.4 Group as lessor

Leases in which the group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the consolidated statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Variable lease payments are recognised as revenue in the period in which they are earned.

When assets are leased out under finance leases, the present value of the lease payments is recognised as a lease receivable. Any difference between the present value of the lease receivable and the asset derecognised is recorded in the profit and loss. Interest income is recognised as the discount unwinds.

### 2.24 Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities in future periods.

#### Significant Management Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements.

#### Determining Control of an Entity

Management has used significant judgement to determine the power the Group has over the entities, the exposure or rights, to variable returns from its involvement with the entities and the ability to use its power over the entities to affect the amount of the returns from those entities to determine whether the Group controls the entity. In assessing its power over the entities, management considers:

- the direct and indirect interest the Group holds in each entity;
- the relationship the Group has with Deakin, the research and development provider and other large shareholder of each entity;
- and the relationship the Group has with BNNTTL, 51% owned by the Group and 28% owned by Deakin, which is the supplier of BNNT to the entity.

The Group considers that it is contracted to provide both funding and commercialising the development of the BNNT application projects each entity undertakes, it provides key management personnel, critical services, technology, supplies and raw materials thus it is responsible for affecting the outcomes and economic returns of the entity.

#### Determining the lease term of contracts with renewal and termination options – Group as lessee

In the previous year, the Group determined the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

# Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

## NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.24 Significant accounting judgements, estimates and assumptions (continued)

The Group has the option, under the property leases, to lease the assets for an additional term of five years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all the relevant factors that create an economic incentive for it to exercise the renewal and reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (i.e. change in business strategy). The Group did not include the renewal period as part of the lease term. PPK has 2 property leases that have options to extend for a further 5 years as at 31 July 2022. Should the Group exercise the option, the lease will be renewed at a market rate determined at that time.

The renewal option for leases of motor vehicles are not included as part of the lease term because the Group typically leases motor vehicles for not more than four years, hence it is not exercising any renewal periods. The renewal option for leases of forklifts are not included as part of the lease term because the Group typically does not exercise any renewal periods.

#### Impairment of intangibles – development costs

The Group capitalises costs for product development projects. Initial capitalisation of costs is based on Management's judgement, after making inquiries from engineers, scientists and other qualified professionals that technological and economic feasibility is confirmed. In determining the amounts to be capitalised, Management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and expected period of benefits.

This includes significant investment in the development of new manufacturing processes to produce 99% pure BNNT in commercial quantities in batch production and ultimately in continuous production. Further investment is incurred in BNNT application projects to undertake the research and development of new and existing technologies and products where BNNT can be used to create and/or improve these technologies and products.

Intangible assets not yet ready for use require an annual impairment test. Management has used significant judgement to determine there was no impairment that occurred after the initial recognition of the intangible asset. Management made this assessment using estimated future cash flows from the investment. Based on the information available to support the estimates made, Management concluded there was no impairment charge of the intangibles at the reporting date (2020: nil).

#### Impairment of non-current assets

Management has used significant judgement to evaluate conditions specific to the Group that indicate individual assets may be impaired in relation to property, plant and equipment. Based on the information available to Management, there were no such indicators at the reporting date.

#### Investment in a joint venture

Management has used significant judgement to determine there was no objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the investment which might impact on the estimated future cash flows from the investment. Based on the information available to Management, there was no impairment indicators for the investments in a joint venture at the reporting date (see Note 20).

#### Investment in equity instruments

Management has used significant judgement to determine the fair value of the investment in Zeta Energy LLC which Li-S Energy Limited has made an investment in (see Notes 19 and 21).

#### Share-based payments

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. The Group has a long term incentive (LTI) in place which is managed by a Trust on behalf of directors, an executive and senior managers who are offered Performance Rights which can be converted to PPK shares on a one-for-one basis subject to the PPK share price meeting set price targets and directors and employees continuing their employment to the vesting date. The Group used an independent third party to measure the fair value of equity-settled transactions with employees at the grant date using a Monte-Carlo Simulation methodology. This estimate required determination of the most appropriate inputs to the valuation model including the expected life of the performance right, the risk free rate, dividend yield and volatility and making assumptions about them. No additional expense was recognised for the modification as the total remuneration values was equal under the original LTI and the modified LTI. The board considered there to be no change in the original vesting conditions.

#### Tax Losses Carried Forward

Tax losses can be carried forward and deducted from assessable income in later income years provided the Group meets either the continuity of ownership test or the business continuity test. Management uses significant judgement to determine that the tax losses can be carried forward.

# Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

## NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.24 Significant accounting judgements, estimates and assumptions (continued)

#### Deferred Tax Asset

Deferred tax asset is only recognised to the extent that there is reasonable certainty of realising future taxable amounts sufficient to recover the carrying value. Due to carry forward tax losses and an expectation that the current challenging industry conditions would continue in the short term, the Directors assessed that deferred tax assets would only be recognised to the extent of, and offset against, available deferred tax liabilities.

A deferred tax asset of \$0.922M was recognised during the year in Li-S Energy. No impairment of previously recognised deferred tax assets was recognised during the year (2020: \$nil) (see Note 7).

### 2.25 Earnings per share

#### Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of PPK Group Limited, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares during the year.

#### Diluted earnings per share

Earnings used to calculate diluted earnings per share are calculated by adjusting the basic earnings by the after-tax effect of dividends and interest associated with dilutive potential ordinary shares. The weighted average number of shares used is adjusted for the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

### 2.26 GST

Revenues and expenses are recognised net of GST except where GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet. Cash flows are included in the cash flow statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

### 2.27 Going concern

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

On 31 August 2021, being the date of approval of the financial report, the Directors believe it is appropriate to prepare the financial report on a going concern basis. In making this assessment the Directors have identified and considered:

- During the whole the of 2021 financial year, and at all times subsequent, the Group has been able to meet its obligations as and when they fell due;
- The Group has direct ownership of \$9.728M of cash and \$1.569M of secured loans to be repaid in the coming months;
- The Group has no direct fixed interest debt required to be paid (all fixed interest debt is owed by technology subsidiaries to other technology company shareholders and not secured) and the Directors are confident that additional debt financing would be available, if required;
- The Group has a finance facility up to a maximum of \$4.000M from a major Australian bank secured against the debtors of PPK Mining Equipment Pty Ltd, secured by a guarantee and indemnity from PPK Group Limited, PPK Mining Equipment Group Pty Ltd and the subsidiaries of the mining division. This facility has been drawn down by \$2.650M subsequent to the year end.
- The Group had one capital raise during the year for a net total of \$15.400M, at \$5.50 per share, and has a history of strong support from the majority of shareholders and has an expectation that this will continue;
- Li-S Energy, a 51.9% owned subsidiary, completed a \$20.000M capital raising on 9 April 2021 and has lodged a prospectus with ASIC to raise a further \$34.000M and list on the ASX with a potential market capitalisation of \$544.170M. PPK's direct ownership of Li-S Energy will be approximately \$252.930M at market value and would be available for sale, if required.
- White Graphene, a 64% owned subsidiary, completed a \$2.800M capital raising in December 2020 at \$0.40 per share thus valuing the company at \$34.800M. There is interest from Sophisticated and Institutional investors to acquire shares in the company and PPK's direct ownership of White Graphene has a value of \$22.272M and would be available for sale, if required.
- The loss of cashflow from the listing or sale of the Disposal Group will not impact the Group's going concern for the reasons noted above.
- PPK paid an interim dividend of \$0.01 per share and a special dividend of \$0.025 per share:

# Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

## NOTE 3 REVENUE AND OTHER OPERATING INCOME

### 3.1 Revenue from contracts with customers

Disaggregated revenue information

Set out below is the disaggregation of the Group's revenue from the Technology segment and other income as disclosed in Note 4 from contracts with customers:

Segments	Notes	Consolidated Entity	
		2021 \$'000	2020 \$'000
<b>Type of goods or services</b>			
Sale of goods		-	-
Rendering of services		-	-
<b>Total revenue from contracts with customers</b>		-	-
Rental income		44	-
<b>Total revenue</b>		44	-
<b>Timing of revenue recognition</b>			
Goods transferred at a point in time		-	-
Services rendered over time		44	-
<b>Total revenue from contracts with customers</b>		44	-

### Geographic location of Customers

In the 2021 financial year, the Technology segment operates only in Australia.

### Customer Concentration

In the 2021 financial year, Technology segment revenues were earned from subsidiary companies and eliminated on consolidation or from an associate or a joint venture and recognised in share of profit and a joint venture. Hence, customer concentration was 100% from related parties.

### 3.2 Other Operating Income

Foreign exchange gain (loss) on financial assets at FVTPL	6.1	(289)	36
Gain (loss) on financial assets at FVTPL	6.1	(383)	-
Net gain on sale of fixed assets		-	18
Reversal of contingent consideration on acquisition		-	9,041
Grant income		2	50
Recovery of debt previously written off		-	264
Finance income		55	38
		(615)	9,447

## NOTE 4 SEGMENT INFORMATION

The Group applies AASB 8 Operating Segments whereby segment information is presented using a "management approach" i.e. segment information is provided on the same basis as information used for internal reporting purposes by the chief operating decision makers.

Operating segments have been determined on the basis of reports reviewed by the Directors. The Directors are considered to be the chief operating decision makers of the Group. The reportable segments for 30 June 2021 are as follows:

Technology - to expand and profit from the manufacture of high-grade boron nitride nanotubes (BNNT) in commercial quantities using Deakin University's patented technology to;

- supply BNNT to select industries to enable further research and development into the blending/infusing of BNNT into conventional materials. This process can be transformative in terms of reduced weight and increased strength; and
- maintain an ongoing equity interest in selected BNNT product applications such lithium sulphur battery products (Li-S Energy Limited), white graphene (White Graphene Limited), metal alloys (Strategic Alloys Pty Ltd), armaments (Craig International Ballistics Pty Ltd and Ballistic Glass Pty Ltd), dental applications (3D Dental Technology Limited) and precious metals (BNNT Precious Metals Limited).

# Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

## NOTE 4 SEGMENT INFORMATION (continued)

### 4.1 Year ended 30 June 2021

Reportable Segments	Notes	Technology \$'000	Total \$'000
<b>Revenue from contracts with customers</b>		-	-
Rental income		-	-
<b>Total revenue</b>		-	-
<b>Other income</b>			
Share of profit (loss) of an associate and a joint venture		(198)	(198)
Foreign exchange gain (loss) on financial assets at FVTPL		(289)	(289)
Other income		7	7
<b>Total revenue and other income</b>		(480)	(480)
<b>Segment expenses include</b>			
Administration expenses		(2,050)	(2,177)
Share based payment expense	5.3	(127)	-
<b>Total expenses</b>		(2,177)	(2,177)
Earnings before interest, tax, depreciation and amortisation		(2,657)	(2,657)
Depreciation and amortisation		(66)	(66)
<b>Segment profit (loss)</b>		(2,723)	(2,723)
<b>Reconciliation of segment profit (loss) to group net profit before tax</b>			
Amounts not included in segment profit but reviewed by the Board:			
Gain (loss) on financial assets at FVTPL			(383)
Other income			94
Unallocated corporate expense			(2,444)
Unallocated share based payment expense	5.3		(139)
Unallocated costs to defend a dispute of a business acquisition made in 2014			(361)
Short-term leases			(219)
<b>Consolidated profit (loss) from continuing operations before income tax attributable to owners of PPK Group Limited</b>			(6,175)
Non-current assets		25,521	25,521
Segment assets		20,337	20,337
Unallocated			19,202
<b>Total assets</b>		45,858	65,060
Non-current liabilities		-	-
Segment liabilities		470	470
Unallocated			433
<b>Total liabilities</b>		470	903



# Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

## NOTE 4 SEGMENT INFORMATION (continued)

### 4.2 Year ended 30 June 2020

Reportable Segments	Notes	Technology \$'000	Total \$'000
<b>Revenue from contracts with customers</b>		-	-
Rental income		-	-
<b>Total revenue</b>		-	-
<b>Other income</b>		-	-
Share of profit of associates and a joint venture		766	766
Foreign exchange gain (loss) on financial assets at fair value through profit or loss		36	36
<b>Total revenue and other income</b>		802	802
<b>Segment expenses include</b>			
Administration expenses		(231)	(231)
Total expenses		(231)	(231)
Earnings before interest, tax, depreciation and amortisation		571	571
Depreciation and amortisation		-	-
Income tax benefit (expense)		(240)	(240)
Segment profit (loss)		331	331
<b>Reconciliation of segment profit (loss) to group net profit before tax</b>			
Amounts not included in segment profit but reviewed by the Board:			
Reversal of contingent consideration on acquisition			9,041
Recovery of debt previously written off			265
Other income			34
Unallocated corporate expense			(2,287)
Unallocated share based payment expense	5.3		(967)
Unallocated costs to defend a dispute of a business acquisition made in 2014			(550)
Short-term leases			(229)
<b>Consolidated profit (loss) from continuing operations after income tax attributable to owners of PPK Group Limited</b>			5,638
Non-current assets		28,098	28,098
Segment assets		2,250	2,250
Unallocated			4,007
<b>Total assets</b>		30,348	34,355
Non-current liabilities		-	-
Segment liabilities		160	160
Unallocated			161
<b>Total liabilities</b>		160	321

# Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

## NOTE 5 SHARE BASED PAYMENT EXPENSE

### 5.1 PPK Share Payments

PPK has two share payment programs for employee remuneration; the Employee Share Plan and the Long Term Incentive Plan.

#### Exempt Employee Share Plan (ESS)

The Board has the ability to determine the terms and conditions on which qualifying employees may be invited to participate in the ESS. In this reporting period, the Board did not offer employees to apply for up to \$1,000 worth of fully paid ordinary shares in the capital of PPK. In the previous year, the Board offered those qualifying employees to apply for up to \$1,000 worth of fully paid ordinary shares in the capital of PPK. A total of 138 employees accepted the offer and 0.024M shares were allotted in February 2020. Employees are restricted selling, transferring or otherwise dealing with their shares for three years while they are an employee of the Group.

#### Long Term Incentive Plan (LTI)

The last tranche for the LTI that was in place for this reporting period fully vested on 1 July 2021 and the expense was recognised in this financial year. The LTI is managed as a Trust on behalf of an executive director, executives and senior managers of the Group. The Trustee holds PPK shares on behalf of the participants until such time that the vesting conditions for Performance Rights are met then participants can apply to have the shares sold or transferred to the applicable participant.

The Directors determined who were offered Performance Rights which converted to PPK shares on a one-for-one basis. All vesting conditions have been met with the PPK share price meeting set price targets and the executive director and employees continuing their employment to the vesting dates. The LTI was approved by shareholders at the Annual General Meeting on 27 November 2018.

At the time that the Directors set the share price targets, PPK shares were trading at \$0.21 per share and the performance rights to be issued were 2,920,000. As a result of the increase in PPK's share price, the share price targets were met and the vesting conditions are now subject to the executive director and employees continuing their employment to the vesting dates. However, the Board considered that as the intent was to reward the executive director, executives and senior managers with a value of shares equivalent to their total remuneration to be realised over a period of time, the ASX announcement on 13 November 2018 for the Group to acquire 100% of the shares in AICIC, and the resulting strategic 50% holding in BNNTTL led to a significant increase in the PPK share price in a short period of time and that this was not the direct outcome of the executive director, executives or senior managers actions.

As a result, in July 2019 post year end, the board offered a lesser number of performance rights, based on the higher share price, to the executive director, executives and senior managers that would deliver a total remuneration value that was equal under the original LTI and the modified LTI. The board considers there to be no change in the original vesting conditions. As a result, the share price targets, based on a 5 trading day volume weighted average price, the vesting conditions and the total number of performance rights offered, as modified in July 2019, were:

Share Price Targets	Vesting Conditions	Original No of Performance Rights	Amended No of Performance Rights
\$0.30 per share by 1 January 2019	Fully vest on 1 January 2020	730,000	260,000
\$0.40 per share by 1 January 2020	Fully vest on 1 July 2020	730,000	260,000
\$0.50 per share by 1 January 2021	Fully vest on 1 January 2021	730,000	260,000
\$0.60 per share by 1 January 2021	Fully vest on 1 July 2021	730,000	260,000
		<u>2,920,000</u>	<u>1,040,000</u>

# Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

## NOTE 5 SHARE BASED PAYMENT EXPENSE (continued)

### 5.1 PPK Share Payments (continued)

The fair value of the Performance Rights granted were determined using a Monte Carlo Simulation Methodology for 1,000M simulations for each tranche with a valuation date of 27 November 2018. The following principal assumptions were used in the valuation:

	Tranche 1	Tranche 2	Tranche 3	Tranche 4
<i>Performance Condition</i>	\$0.30	\$0.40	\$0.050	\$0.60
5 day VWAP to be equal to or exceed share price				
<i>Performance Period</i>				
Period to achieve performance condition (months)	1.15	13.14	25.17	25.17
<i>Non-market based vesting condition</i>				
Period to remain employed by Company (months)	13.14	19.12	25.17	31.11
<i>Amended number of shares to be issued if conditions met</i>	260,000	260,000	260,000	260,000
<i>Original number of shares to be issued if conditions met</i>	730,000	730,000	730,000	730,000
<b>Key Inputs</b>				
Valuation Date	27/11/18	27/11/18	27/11/18	27/11/18
PPK share price at start of Valuation Date	\$0.50	\$0.50	\$0.50	\$0.50
Risk-free Rate <sup>(1)</sup>	1.95%	2.01%	2.02%	2.05%
Dividend Yield	0.00%	0.00%	0.00%	0.00%
Volatility <sup>(2)</sup>	54.00%	54.00%	54.00%	54.00%
<b>Fair Value of the Performance Right</b>	<b>\$0.500</b>	<b>\$0.500</b>	<b>\$0.486</b>	<b>\$0.430</b>

(1) The risk-free rate was determined to be the yield to maturity of an Australian government security on the Valuation Date with a term equal to the later of: (a) the performance period to achieve condition; and (b) the earliest the Right can vest for each tranche.

(2) The volatility was determined to be the standard deviation of the continuously compounding daily change in price of the Company's shares over a 13 month period being the term of Tranche 1.

### 5.2 Li-S Energy Share Payments

Li-S Energy has two share payment programs, one for non-executive directors and one for executives.

The Non-Executive Directors were granted 2,160,000 Service Rights on 1 May 2021 under the Li-S Energy Limited NED Equity Plan. These Service Rights were granted in lieu of the Directors taking remuneration as directors fees for the three years ending 30 April 2024. The key features of the issuance are as follows:

- The exercise price payable by the holder is \$Nil.
- The Service Rights will vest to the NED over a 3-year period.
- The vesting of Service Rights requires continued tenure as a Director of the Company. There are no other performance conditions.
- On vesting the Service Right will expire if unexercised 15 years post the initial grant date.
- Should a Director cease being a Director in the vesting period the unvested Service Rights will be forfeited in proportion based on plan rules.
- Each Service Right converts to one ordinary Share in the Company.

The Service Rights have been independently valued at \$0.50 each. A total expected expense should all Service Rights vest of \$1,080,000 will be recorded in the profit and loss over the forward 3-year period post grant, in accordance with their vesting profile.

# Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

## NOTE 5 SHARE BASED PAYMENT EXPENSE (continued)

### 5.2 Li-S Energy Share Payments (continued)

The Chief Executive Officer was granted 1,000,000 Service Rights on 12 November 2020 under the Li-S Energy Limited Executive Rights Plan. The key features of the issuance are as follows:

- The exercise price payable by the holder is \$Nil.
- The Service Rights will vest to the Chief Executive Officer in equal tranches of 250,000 Service Rights on 30 April 2022, 2023, 2024 and 2025.
- The vesting of Service Rights requires continued tenure as an executive of the Company. There are no other performance conditions. Directors do however have the right to vary the number of vested Service Rights.
- On vesting the Service Right will expire if unexercised 15 years post the initial grant date.
- Should an executive cease being an executive in the vesting period the unvested Service Rights will be forfeited in proportion based on plan rules. The unexpired portion of the tranche relevant to the date of termination will vest in proportion and all future unvested tranches will expire.
- Each Service Right converts to one ordinary Share in the Company.

The Service Rights have been independently valued at an average value of \$0.065 cents each. A total expected expense should all Service Rights vest of \$65,000 will be recorded in the profit and loss over the forward four year period post grant, in accordance with their vesting profile.

The fair value of the NED Service Rights and the CEO Service Rights was determined using a Black Scholes model. As the Service Rights are exercisable for \$Nil the fair value of each Service Right is the difference between \$Nil and the fair value of a share on the date of grant. All other Black Scholes variables have no impact on the valuation. The share price of \$50 cents and \$6.5 cents was determined to be the share price at date of issue based on proximate capital raisings completed to the grant date.

### 5.3 Share Based Payments

	Notes	Consolidated Entity	
		2021 \$'000	2020 \$'000
Technology	4.1	127	-
Unallocated corporate	4.1	139	967
Disposal Group	13	152	-
		418	967

# Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

## NOTE 6 CASH FLOW INFORMATION

	Notes	Consolidated Entity	
		2021 \$'000	2020 \$'000
<b>6.1 Reconciliation of profit (loss) after income tax to the cash provided by operating activities</b>			
Profit (loss) after income tax from continuing operations		(5,576)	8,314
Profit (loss) after income tax from discontinued operations		(742)	-
Profit (loss) after tax		(6,318)	8,314
Cash flows in operating activities but not attributable to operating result:			
Non-cash flows in operating profit:			
Income tax benefit		(599)	-
Unrealised foreign exchange (gain) loss	3.2	289	(36)
Unrealised (gain) loss on financial assets at FVTPL	3.2	383	-
Amortisation		121	35
Depreciation		2,354	2,358
Make good provision		-	(40)
Impairment of plant and equipment		-	100
Reversal of contingent consideration on acquisition		-	(9,041)
Share of profit of associates and a joint venture, after tax		198	(526)
Share based payments expense	5.3	418	967
Loss (gain) on sale of plant & equipment		89	(18)
Loss (profit) on impairment of inventories		85	-
Changes in assets and liabilities:			
Decrease (increase) in trade and other receivables		1,648	2,461
Decrease (increase) in prepayments		(144)	340
Decrease (increase) in inventories		(508)	(1,343)
(Decrease) increase in provisions		112	343
(Decrease) increase in trade creditors and accruals		(877)	(599)
Net cash (used in) provided by operating activities		(2,749)	3,315
<b>6.2 Reconciliation of Cash</b>			
For the purposes of the cash flow statement, cash includes:			
Cash on hand		1	1
Call deposits with financial institutions		30,364	2,308
Cash held in trust		-	3,035
	14	30,365	5,344

### 6.3 Non cash financing activities – dividend reinvestment (Notes 30)



# Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

## NOTE 7 INCOME TAX EXPENSE

		Consolidated Entity	
	Notes	2021 \$'000	2020 \$'000
<b>(a) The prima facie tax payable (benefit) on the profit (loss) before income tax is reconciled to the income tax expense as follows:</b>			
Profit (loss) before tax – Continuing Operations		(6,175)	5,878
Profit (loss) before tax – Disposal Group		(742)	2,616
Profit (loss) before tax		(6,917)	8,494
Prima facie tax payable (benefit) at 26.0% (2020: 27.5%)		(1,798)	2,336
(Non-assessable income) non-deductible expenses		135	(2,616)
Current year losses for which no deferred tax asset was recognised		-	1,046
Deferred tax assets related to equity transactions		650	-
Current year temporary differences for which no deferred tax asset or liability was recognised		(35)	(700)
Other		449	240
Income tax expense (benefit)		(599)	240
The applicable weighted average effective tax rates are as follows:			
		8.6%	2.9%
All income tax expense/(benefit) is attributable to continuing operations in 2021 and 2020.			
<b>(b) The components of tax expense comprise:</b>			
Current tax		(356)	-
Deferred tax		(243)	-
Share of associates tax expenses		-	240
(Over) provision in respect of prior years		-	-
Income tax expense (benefit)		(599)	240
<b>(c) Recognised in the Statement of Financial Position</b>			
Deferred tax assets – tax losses		2,536	2,600
Deferred tax assets – temporary differences		1,719	1,121
Deferred tax liabilities – temporary differences		(3,333)	(3,721)
Total		922	-

# Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

**NOTE 7 INCOME TAX EXPENSE** (continued)**(d) Not recognised in the Statement of Financial Position**

	Notes	Consolidated Entity	
		2021 \$'000	2020 \$'000
<i>Unrecognised deferred tax assets/deferred tax liabilities</i>			
Tax losses (ii)		3,022	2,996
Temporary differences		-	7
Total		3,022	3,003
<i>Movements</i>			
Opening balance		3,003	4,715
Tax losses not recognised current year		64	(2,261)
Adjustment for change in applicable tax rate		(45)	-
Adjustment in respect of current income tax of previous years		-	380
Temporary differences not recognised current year		-	7
Adjustment related to transfer of losses from acquisition		-	162
Closing balance		3,022	3,003
See Note 2.24 for more detail.			

**NOTE 8 AUDITORS' REMUNERATION**

	\$	\$
Remuneration of the auditor of the Group, parent entity and controlled entity for:		
- auditing or reviewing the financial report	316,856	149,800
- Other - tax compliance and other corporate compliance matters	247,805	100,250
	564,661	250,050

**NOTE 9 KEY MANAGEMENT PERSONNEL REMUNERATION****9.1 Key management personnel remuneration**

	Notes	Consolidated Entity	
		2021 \$	2020 \$
Short-term benefits		2,118,334	1,223,460
Share-based payments		264,207	661,935
Post-employment benefits		50,000	50,000
		2,432,541	1,935,395

The above table discloses remuneration for the Group and includes all controlled entities. During the reporting period, the Group recognises the Directors and the Chief Financial Officer/Chief Operating Officer of PPK Group Limited as being the key management personnel (see Note 35). See the Directors' Report for details of their remuneration policy and benefits as well as remuneration received from other related entities.

# Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

## NOTE 9 KEY MANAGEMENT PERSONNEL REMUNERATION (continued)

### 9.2 Equity Instruments

Two Directors and the Chief Financial Officer/Chief Operating Officer participate in the PPK Long Term Incentive Plan, subject to retention of their services to meet the vesting conditions (see Note 35). The issuance of performance rights were approved by the shareholders at the last two Annual General Meetings.

### 9.3 Loans

There were no loans or advances to key management personnel or their related parties in the current financial or previous financial years.

## NOTE 10 DIVIDENDS

	Notes	Consolidated Entity	
		2021 \$'000	2020 \$'000
<b>(a) Dividends paid</b>			
2021 2.5 cent special ordinary fully franked was paid by a distribution in specie of shares in Li-S Energy held by PPK on the basis of 0.3846 Li-S Energy share for every 1 PPK share held		2,220	-
2021 1 cent interim ordinary fully franked dividend was declared or paid (2020: 1 cent ordinary fully franked dividend)		859	852
2021 No final ordinary dividend was declared or paid (2020: nil)		-	-
		<b>3,079</b>	852
<b>(b) Dividends declared after balance date</b>		-	856
<b>(c) Franked dividends</b>			
Franking credits available for subsequent financial years based on a tax rate of 26.0% (2020 - 27.5%)		14	1,079

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

- (1) franking credits that will arise from the payment of the current tax liability;
- (2) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date;
- (3) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date; and
- (4) franking credits that may be prevented from being distributed in subsequent financial years.

The consolidated amounts include franking credits that would be available to the parent entity if distributable profits of subsidiaries were paid as dividends.

# Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

## NOTE 10 DIVIDENDS (continued) (d) reconciliation of dividends paid

	Consolidated Entity			
	\$'000 In Specie of Shares	\$'000 Cash	\$'000 Dividend Reinvestment Plan	\$'000 Total
2.5 cent special ordinary fully franked was paid by a distribution in specie of shares in Li-S Energy held by PPK on the basis of 0.3846 Li-S Energy share for every 1 PPK share held	2,220	-	-	2,220
2021 1 cent interim ordinary fully franked dividend paid	-	-	-	-
2020 1 cent final ordinary fully franked dividend paid	-	376	483	859
	2,220	376	483	3,079
Dividends for treasury shares	17	7	-	24
	2,203	369	483	3,055
2020 1 cent interim ordinary fully franked dividend paid	-	380	472	852
2019 1 cent final ordinary fully franked dividend paid	-	348	477	825
	-	728	949	1,677
Dividends for treasury shares	-	(6)	(7)	(13)
	-	722	942	1,664

## NOTE 11 EARNINGS PER SHARE

	Consolidated Entity	
	2021 \$'000	2020 \$'000
Earnings per share (in cents)		
Basic	(6.3)	9.8
Diluted	(6.3)	9.7
Earnings per share from continuing operations (in cents)		
Basic	(5.4)	6.7
Diluted	(5.4)	6.6
Earnings per share from discontinued operations (in cents)		
Basic	(0.8)	3.1
Diluted	(0.8)	3.1
	\$'000s	\$'000s
<b>(a) Reconciliation of Earnings to Net Profit</b>		
Earnings used in calculating Basic and Dilutive EPS from continuing operations	(4,737)	5,653
Earnings used in calculating Basic and Dilutive EPS from discontinued operations	(742)	2,616
Profit (loss) for the year	(5,479)	8,269
	No.	No.
<b>(b) Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS</b>	87,621,784	84,334,389
Effects of dilution from:		
Employee performance rights <sup>(1)</sup>	-	757,500
<b>(c) Weighted average number of potential ordinary shares outstanding during the year used in calculation of diluted EPS</b>	87,621,784	85,091,889

(1) The weighted average number of ordinary shares outstanding used in calculating diluted earnings per share has not been adjusted for 516,500 employee performance rights as they are anti-dilutive.

# Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

## NOTE 12 PARENT ENTITY INFORMATION

The following detailed information relates to the parent entity, PPK Group Limited at 30 June 2021. The information presented here has been prepared using consistent accounting policies as presented in Note 2.

	Notes	2021 \$'000	2020 \$'000
Current assets		1,000	1,101
Non-current assets		59,945	44,051
Total assets		60,945	45,152
Current liabilities		172	309
Non-current liabilities		-	-
Total liabilities		172	309
Net assets		60,773	44,843
Contributed equity <sup>(1)</sup>		75,348	59,500
Retained earnings		(14,575)	(14,657)
Total equity		60,773	44,843
Profit (loss) for the year (including impairments) <sup>(2)</sup>		3,160	9,872
Dividends paid		(3,079)	(1,678)
Other comprehensive income (loss) for the year		-	-
Total comprehensive income (loss) for the year		81	8,194

(1) In addition to the Parent Entity contributed equity, the Group's consolidated Contributed Equity includes Treasury Shares of \$0.203M (see Note 30.4).

(2) Non-current asset balances include investments in subsidiaries which are held at cost or net recoverable value after impairments.

See Note 34 for contingent assets and liabilities.

## NOTE 13 DISPOSAL GROUP HELD FOR SALE

In the 2020 Annual Report, separation of the PPK mining equipment business (PPKME) was disclosed in the Chairman's Report. PPK has reviewed the various options and on 22 June 2021 the Board resolved to demerge PPKME either through a listing on an Australian stock exchange or a trade sale. The Board has a single coordinated plan to dispose of PPKME as a separate major line of business and:

- PPK's carrying amount will be recovered principally through an asset transaction rather than through continuing use;
- The immediate sale of PPKME in its present condition is subject to terms that are usual and customary for sale of such assets;
- The sale is highly probable in that the PPK board is committed to demerge PPKME, there is an active program in place and it has been initiated;
- The sale or distribution should be completed within one year from the date of classification; and
- Actions to complete the demerger indicate that it is highly unlikely that changes to the plan will be made or the plan will be withdrawn.

As a result, at 30 June 2021, PPKME is being classified as Disposal Group assets held-for-sale and the Mining Equipment segment is no longer presented in the segment note.

# Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

## NOTE 13 DISPOSAL GROUP HELD FOR SALE (continued)

The results of the Disposal Group for the year are presented below:

Statement of Profit or Loss	Notes	2021 \$'000	2020 \$'000
Revenue from contracts with customers		32,651	39,847
Rental income		1,381	1,255
		34,032	41,102
Other income		66	76
Total revenue and other income		34,098	41,178
Expenses			
Cost of sales		(26,765)	(29,632)
Employee expenses		(2,463)	(2,929)
Share based payment expense	5.3	(152)	-
Administration expenses		(2,349)	(2,408)
Warranty costs		(146)	(416)
Short-term leases		(359)	(351)
Impairment of assets		(86)	(100)
Depreciation		(2,392)	(2,380)
Interest expense		(128)	(286)
Total expenses		34,840	38,502
<b>Profit (loss) before tax expense from discontinued operations</b>		<b>(742)</b>	2,676
Income tax expense (benefit) attributable to profit		-	-
<b>Profit (loss) after tax expense from discontinued operations</b>		<b>(742)</b>	2,676

Significant accounting policies for the Statement of Profit or Loss for the Disposal Group, not previously disclosed, are:

### Revenue and revenue recognition

Revenue arises mainly from the:

- sale of manufactured non-mining products; and
- sale, service, support and rental of underground coal mining vehicles, equipment and parts.

To determine whether to recognise revenue, the Group follows a 5 step process:

1. Identifying the contract with a customer;
2. Identifying the performance obligation;
3. Determining the transaction price;
4. Allocating the transaction price to the performance obligations; and
5. Recognising revenue when/as performance obligations are satisfied.

Revenue is recognised, based on the transaction price allocated to the performance obligation, after consideration of the terms of the contract and customary business practices. The transaction price is the amount of the consideration that the Group expects to be entitled to receive in exchange for transferring the promised goods or services to a customer, excluding amounts collected on behalf of third parties (ie sales taxes and duties). The consideration promised in a contract with a customer may include fixed amounts, variable amounts or both.

The following specific recognition criteria must also be met before revenue is recognised:

### Sale of goods

Revenue from the sale of manufactured non-mining products, mining equipment, spare parts or CoalTrams built for inventory purposes are recognised at a point in time, in most cases when they leave the warehouse and control has passed to the buyer. Revenue is measured at the fair value of consideration received or receivable, net of returns, trade allowances and duties and taxes paid.



# Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

## NOTE 13 DISPOSAL GROUP HELD FOR SALE (continued)

### Rendering of Services

Performance obligations for the repair and maintenance of underground coal mining vehicles and equipment are satisfied over time and the Group recognises the revenue over time for one of the following reasons:

1. the Group's performance creates or enhances an asset (ie work in progress) that the customer controls as the asset is created or enhanced or;
2. the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

In almost all cases, the asset that is being created or enhanced is owned by the customer and the Group only performs repair and maintenance on the asset. At contract inception, it is determined that the customer has contractual ownership of the asset and the Group has an enforceable right to payment for performance completed to date. The transaction price is determined by customary business practices, generally a signed purchase order from the customer, which identifies the consideration the Group expects to be entitled in exchange for transferring the promised goods or services to the customer. The transaction price is the stand-alone selling price at contract inception.

For each performance obligation satisfied over time, the Group recognises revenue over time by measuring the progress towards complete satisfaction of the performance obligation. The Group uses the cost-based input method to determine satisfaction of the performance obligation by measuring the labour hours expended, the cost of materials consumed and other costs incurred relative to the total expected costs to be incurred at the contract inception to satisfy the performance obligation to determine the percentage of completion. The Group then applies the percentage of completion to the total transaction price to calculate the percentage of revenue to be recognised at a point in time. On a monthly basis, the Group remeasures its progress towards complete satisfaction of a performance obligation over time.

In almost all cases, the performance obligation is satisfied within one to two months of contract inception.

### Lease Income on operating leases

Lease income on mining equipment is accounted for on a straight-line basis over the term of the lease agreement and is included in revenue in the statement of profit or loss due to its operating nature.

### Interest income

Revenue is recognised as it accrues using the effective interest rate method. The effective interest method uses the effective interest rate which is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial asset.

### Government Grants

Income from government grants is 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. When the grant relates to an income item, it is recognised in the profit and loss when the Company will comply with all attached conditions. When the grant relates to an expense item, it is recognised in the profit and loss as other operating income on a systematic basis over the periods in which the Company recognises as expense the related costs for which the grants are intended to compensate. When the grant relates to an asset, it is presented in the statement of financial position by deducting the grant in arriving at the carrying amount of the asset.

### Operating expenses

Operating expenses are recognised in the profit or loss upon utilisation of the services or at the date of their origin.

### Contract assets

The costs incurred to fulfil a contract with a customer were recognised when:

- the costs related directly to a contract or an anticipated contract that the Group could specifically identify;
- the costs generated or enhanced resources of the Group that would be used in satisfying (or in continuing to satisfy) performance obligations of the future; and
- the costs were expected to be recovered.

# Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

## NOTE 13 DISPOSAL GROUP HELD FOR SALE (continued)

### Inventories

Inventories included raw materials, work in progress and finished goods and were stated at the lower of cost and net realisable value. Costs comprised all direct materials, direct labour and an appropriate portion of variable and fixed overheads. Fixed overheads were allocated based on normal operating capacity. Costs were assigned to inventory using an actual costing system. Net realisable value was the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses.

### Costs necessary to sell Inventories

In June 2021, IFRIC published an agenda decision in relation to the accounting treatment when determining NRV of inventories, in particular what costs are necessary to sell inventories under AASB 102 *Inventories*.

The Group is currently assessing the impact the agenda decision will have on its current accounting policy and whether an adjustment to inventory may be necessary. Accordingly, a reliable estimate of the impact of the IFRIC agenda decision on the Group cannot be made at the date of this report. The Group expects to complete the implementation of the above IFRIC agenda decision as part of its 31 December 2021 reporting.

### Property, plant and equipment

Land and buildings are brought to account at cost less, where applicable, any accumulated depreciation. After initial recognition, land and buildings are measured at fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Plant and equipment are brought to account at cost less, where applicable, any accumulated depreciation or amortisation and impairment. The cost of fixed assets constructed within the Group includes the cost of materials used in construction, direct labour and an appropriate proportion of fixed and variable overheads.

The depreciable amount of all fixed assets, including buildings and capitalised leased assets but excluding freehold land, is depreciated over their useful lives to the consolidated entity commencing from the time the asset is held ready for use. Leasehold improvements are amortised over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The gain or loss on disposal of all fixed assets is determined as the difference between the carrying amount of the asset at the time of disposal and the proceeds of disposal, and is included in the profit before income tax of the consolidated entity in the year of disposal.

Class of Fixed Asset	Depreciation Rate Straight Line
Buildings	2.5 %
Leasehold Improvements	over the term of the lease
Plant & Equipment	10-50 %

### Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities in future periods.

### Significant Management Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements.

### Disposal Group assets held-for-sale

Management has used significant judgement to determine that the Mining Equipment segment meets the accounting requirements as a Disposal Group assets held-for-sale in that it is highly probable:

- the appropriate level of management is committed to a plan to sell the asset of the Disposal Group;
- an active programme to list the Disposal Group or locate a buyer and complete the plan must have been initiated;
- the Disposal Group listing value or sale price is reasonable in relation to its current fair value;
- the listing or sale should be expected to be completed within one year from the date of classification; and
- actions required to complete the plan indicate it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

# Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

## NOTE 13 DISPOSAL GROUP HELD FOR SALE (continued)

Management has used significant judgement to determine that the Disposal Group is measured at the lower of its carrying amount and fair value less costs to list or sell. This included obtaining an independent valuation as at 31 March 2021 and assessing this against the carrying value to determine that there was no write down required.

### Determining the lease term of contracts with renewal and termination options – Group as lessee

The Group determined the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under the property leases, to lease the assets for an additional term of five years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all the relevant factors that create an economic incentive for it to exercise the renewal and reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (i.e. change in business strategy). The Group did not include the renewal period as part of the lease term. PPK has 2 property leases that have options to extend for a further 5 years as at 31 July 2022. Should the Group exercise the option, the lease will be renewed at a market rate determined at that time.

The renewal option for leases of motor vehicles are not included as part of the lease term because the Group typically leases motor vehicles for not more than four years, hence it is not exercising any renewal periods. The renewal option for leases of forklifts are not included as part of the lease term because the Group typically does not exercise any renewal periods.

### Recognition of fixed contract revenues

Recognising the stage of completion for fixed price contracts and applicable work in progress requires significant judgement in determining the actual work completed and the estimated amount of labour and materials required to complete the work.

### Impairment of raw materials and finished goods

Management has used significant judgement to determine the net realisable value, based on the most reliable evidence available at the time the estimates are made, of the amount that inventories are expected to realise and the estimate of costs to complete. The net realizable value is based on management's analysis of stock movements for all individual stock items:

For CoalTrams, heavy machinery, pneumatic, hydraulic and small mining equipment parts there is a four step process:

1. Management reviews the stock items which had no sales during the year and:
  - Provides for 50% of the inventory value as impaired for those stock items which have no sales for more 1 year; and
  - Provides for 100% of the inventory value as impaired for those stock items which have no sales for more than 3 years.
2. Management then reviews the remainder of the stock items and, for those which management consider to be slow moving:
  - Provides for 15% of the inventory value as impaired for those stock items with stock holdings of 1 to 2 years;
  - Provides for 35% of the inventory value as impaired for those stock items with stock holdings of 2 to 3 years;
  - Provides for 55% of the inventory value as impaired for those stock items with stock holdings of 3 to 4 years;
  - Provides for 75% of the inventory value as impaired for those stock items with stock holdings of 4 to 5 years;
  - Provides for 95% of the inventory value as impaired for those stock items with stock holdings of more than 5 years.
3. Management then reviews the remainder of the stock items, forecasts future stock sales for the next 1 year and, for those stock items which appear to be in excess of sales, an impairment provision is made using the same formulas as that of slow moving stock.
4. Finally, management then performs a review of the remainder of the stock items to determine the net realisable value and, if any additional impairment provisions should be made or if there is a reversal of the impairment provisions made in previous years.

The review done in the 2021 financial year resulted in a \$0.085M inventory impairment provision (2020: Nil) to account for inventories to net realisable value and a total provision of \$5.221M (2020: \$5.158M).

# Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

## NOTE 13 DISPOSAL GROUP HELD FOR SALE (continued)

### Impairment of work in progress

Management has used significant judgement to determine the net realisable value, based on the most reliable evidence available at the time the estimates are made, of the amount that work in progress are expected to realise and the estimate of costs to complete. The net realizable value is based on management's analysis of work in progress for individual jobs on a three step process:

1. Provides for 50% of the work in progress value as impaired for those jobs which have been in progress for more than 6 months;
2. Management then performs a review of these jobs to determine if any specific jobs will be completed and total costs will be less than the expected revenue to determine if any jobs should be removed from the impairment provision;
3. Reviews individual jobs that are less than 6 months old to determine if they will be completed, total costs will be less than the expected revenue to determine if any additional impairment provision should be made to determine net realisable value.

### Impairment of intangibles – development costs

The Group capitalises costs for product development projects. Initial capitalisation of costs is based on Management's judgement, after making inquiries from engineers and other qualified professionals that technological and economic feasibility is confirmed. In determining the amounts to be capitalised, Management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and expected period of benefits.

This includes significant investment in the development of new technology and enhancements for the CoalTram and a new battery electric vehicle for transporting personnel (mantransporter).

Intangible assets not yet ready for use require an annual impairment test. Management has used significant judgement to determine there was no impairment that occurred after the initial recognition of the intangible asset. Management made this assessment using estimated future cash flows from the investment. Based on the information available to support the estimates made, Management concluded there was no impairment charge of the intangibles at the reporting date (2020: nil).

Key assumptions used by Management in their assessment include customer projections of future capital spend for load haul dump machines and mantransporters and a discount rate of 7.20%.

New CoalTram sales of 4 in the 2022 financial year and 6 per annum over the following four year period commencing based on discussions with customers, known mine expansion plans, estimated new mines opening and estimated retirement of existing LHDs in operation. Gross margins are based on projections as estimated by the Executive Director – Global Mining using cost to build, core inventory parts in stock at impaired value and sale price of comparative LHDs sold in the industry. Gross margins are consistent with that estimated for the previous year.

Mantransporter sales of 6 in the 2022 financial year and 24 per annum for both hard rock mining and underground coal mining based on discussions with hard rock mining companies and current customers. Gross margins are based on projections as estimated by the Executive Director – Global Mining using costs to build a prototype machine as an estimated cost and sale price based on discussions with hard rock mining companies and current customers.

The after tax discount rate of 7.20% was based on a 30 June 2021 weighted average cost of capital for the market as a whole from a recognised valuer's report. Gross margins are consistent with that estimated for the previous year.

### Provision for expected credit losses (ECL) of trade receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of customer segments that have similar risk characteristics (i.e. customer type, probable credit risk, market size). The provision matrix is based on the historical credit loss experience for the customer segments and adjusted for forward-looking information. For example, if forecast economic conditions are expected to deteriorate over the coming year in a specific industry, which could lead to an increased number of defaults, then the historical default rates are adjusted. At every reporting date, the historical credit loss experience is reviewed and updated, if appropriate, and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical credit loss experience, forecast economic conditions and ECLs is a significant estimated. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast economic conditions may also not be representative of customer's actual credit default in the future. Management has considered the possible impacts of the COVID-19 pandemic on the required expected credit loss provisions and determined that no material levels of increased risk are present based on current conditions. The information about the ECLs on the Group's trade receivables is as follows:

# Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

## NOTE 13 DISPOSAL GROUP HELD FOR SALE (continued)

The Group recognised two distinct customer segments:

- those that are major customers, the majority of which are listed public companies of which the Group has a long history of providing goods and services. This customer segment represents 88% of the cash inflows during the ECL review period for which the historical credit loss experience was determined and there were no historical losses during this period.
- The other customer segment includes smaller listed public companies, large private companies and the remaining customers that the Group provides goods and services. This customer segment represents 12% of the cash inflows during the ECL review period for which the historical credit loss experience was determined. At 30 June 2021 no significant provision was determined to be required for these customers.

Management has considered the possible impacts of the COVID-19 pandemic on the required expected credit loss provisions and determined that no material levels of increased risk are present based on current conditions.

The provision matrix for expected credit losses, based on historical credit loss experience for the other customer segment is as follows:

	Current	30 days past due	31 to 60 days past due	61 to 90 days past due	More than 90 days past due
Historical loss rate	1%	1%	7%	nil	nil

### Share-based payments

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. The Group has a long term incentive (LTI) in place which is managed by a Trust on behalf of a director and senior manager in the Disposal Group who were offered Performance Rights which can be converted to PPK shares on a one-for-one basis subject to the PPK share price meeting set price targets and directors and employees continuing their employment to the vesting date. The Group used an independent third party to measure the fair value of equity-settled transactions with employees at the grant date using a Monte-Carlo Simulation methodology. This estimate required determination of the most appropriate inputs to the valuation model including the expected life of the performance right, the risk free rate, dividend yield and volatility and making assumptions about them. No additional expense was recognised for the modification as the total remuneration values was equal under the original LTI and the modified LTI. The board considered there to be no change in the original vesting conditions.

The major classes of assets and liabilities of the Disposal Group classified as held for sale as at 30 June 2021 are:

Statement of Financial Position	2021 \$'000
<b>Assets</b>	
Cash	545
Inventories	11,427
Trade and other current assets	6,947
Fixed assets	6,363
Intangibles	3,452
Assets held for sale	28,734
<b>Liabilities</b>	
Creditors and provisions	(5,358)
Lease liabilities	(2,077)
Liabilities directly associated with assets held for sale	(7,435)
<b>Net assets directly associated with disposal group</b>	<b>21,299</b>

# Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

## NOTE 13 DISPOSAL GROUP HELD FOR SALE (continued)

The net cash flows incurred by PPKME are:

	Notes	2021 \$'000	2020 \$'000
Opening balance		974	929
Net cash inflow (outflow) from operating activities		2,040	3,689
Net cash inflow (outflow) from investing activities		(746)	(1,732)
Net cash inflow (outflow) from financing activities		(1,723)	(1,912)
Closing balance		545	974

  

		2021 cents	2020 cents
<b>Earnings per share</b>			
Basic from discontinued operations		(0.8)	3.1
Diluted from discontinued operations		(0.8)	3.1

PPKME was independently valued before it was classified as a discontinued operation and the carrying amount of the disposal group was less than the fair value less costs to sell so no write down was made.

## NOTE 14 CASH AND CASH EQUIVALENTS - CURRENT

		Consolidated Entity	
	Notes	2021 \$'000	2020 \$'000
Cash at bank and on hand	6.2	30,365	2,309
Cash held in trust	6.2	-	3,035
<b>Total</b>		<b>30,365</b>	<b>5,344</b>

## NOTE 15 TRADE AND OTHER RECEIVABLES - CURRENT

Trade receivables	15.1	45	6,324
Loans - secured	15.2	1,569	-
Loans - unsecured	15.3	107	-
		<b>1,721</b>	6,324
Less: allowance for expected credit losses		-	-
<b>Total</b>		<b>1,721</b>	<b>6,324</b>

### 15.1 Trade receivables

Current trade receivables are non-interest bearing and are generally 30 to 60 day terms.

### 15.2 Loans - secured

Loans are short term to unrelated third parties and secured by a registered first mortgage over property of the borrower and a registered security interest (fixed and circulating) on the PPSR by way of a loan offer, loan agreement, general security interest agreement and deed of guarantee and indemnity and mortgage. Interest rates received by the Group on loans are 8% and 10% with interest payable monthly with the rate being fixed for the term of the loan at the time it is made.

### 15.3 Loans - unsecured

Loan is short term to an associated entity at a nil interest rate.



# Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

## NOTE 16 CONTRACT ASSETS - CURRENT

	Notes	Consolidated Entity	
		2021 \$'000	2020 \$'000
<b>Contract assets</b>		-	1,659
Carrying amount at start of the year		1,659	1,794
Consideration received for services rendered in the previous period		(1,659)	(1,794)
Revenue recognised for rendering services not yet received		-	1,659
<b>Carrying amount at year end</b>		-	1,659

## NOTE 17 INVENTORIES - CURRENT

<b>Inventories</b>	-	10,594
Net realisable value		
Raw materials	-	624
Finished goods	-	5,774
Work in progress	-	4,196
	-	10,594

## NOTE 18 OTHER ASSETS - CURRENT

### CURRENT

Prepayments	110	742
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### NON-CURRENT

Prepayments	-	37
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## NOTE 19 SUBSIDIARY COMPANIES

During the 2021 financial year, PPK had two subsidiaries that had material transactions which were consolidated in the PPK financial statements; Li-S Energy and White Graphene.

### 19.1 Li-S Energy

Li-S Energy is the result of a joint venture between Li-S Energy's founding Shareholders, PPK Group Limited (through its nominee subsidiary, PPK Aust. Pty Ltd (**PPK Aust**)), BNNT Technology Limited (**BNNTTL**) and Deakin. Li-S Energy was incorporated on 12 July 2019 with the objective of utilising BNNTTL and Deakin's existing technology and research to develop a battery technology based on more advanced lithium-sulphur chemistry, where BNNTs and other nanomaterials are incorporated into battery components to:

- Improve battery energy capacity when compares to current lithium-ion batteries; and
- Improve cycle life when compared to conventional lithium-sulphur batteries.

Li-S Energy issued 4,999,614 shares to Sophisticated Investors at \$0.65 per share on 15 July 2020 to complete a \$3.250M capital raise. Li-S Energy completed a share split on a 10 for 1 basis on 22 October 2020, restating total shares on issue of 560,200,230, thus valuing the shares issued to Sophisticated Investors on 15 July 2020 at \$0.065 per share.

On 9 April 2021 the company completed a \$20,000,000 capital raise from Sophisticated Investors and issued 40,000,000 ordinary shares at \$0.50 per share.

On 14 February 2021, Dr Lee Finniear was appointed the Chief Executive Officer of Li-S Energy.

On 18 March 2021, Ben Spincer was appointed a Director and on 19 March 2021 was appointed Chairman. Greg Pullen resigned as Director on 18 March 2021.

Subsequent to the year end, on 21 July 2021, Li-S Energy lodged a prospectus with ASIC to issue 40,000,000 shares at \$0.85 per share, raise \$34,000,000 and a listing on the ASX is expected in September 2021.

# Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

## NOTE 19 SUBSIDIARY COMPANIES (continued)

### 19.1 Li-S Energy (continued)

The summarised financial information of Li-S Energy is provided below. This information is based on amounts before inter-company eliminations. At the beginning of the year, PPK's direct interest in Li-S Energy was 58% (consolidated interest of 62.6%), on 23 December 2020 after the in-specie distribution of Li-S Energy shares as a dividend it was 51.9% (consolidated interest of 56.5%) and on 9 April 2021, after the issuance of 40,000,000 ordinary shares in the capital raise, it changed to 48.5% (consolidated interest of 52.3%) and after the sale of Li-S Energy shares by BNNTTL in June 2021 the consolidated interest decreased to 51.9%.

The June 2021 realisation of BNNTTL of part of its interest in Li-S Energy has been recorded as an increase in the Group's investment in BNNTTL of \$1.900M and an increase in equity of \$0.200M attributable to PPK shareholders and \$0.200M million to non-controlling interests.

Summarised statement of financial position	Notes	2021 \$'000	2020 \$'000
<b>Assets</b>			
Cash and cash equivalents		18,607	3,036
Trade and other receivables		226	117
Other current assets		68	37
Intangible assets		992	428
Investments		2,258	2,547
Deferred tax asset		921	-
Other non-current assets		121	37
		23,193	6,202
<b>Liabilities</b>			
Trade and other payables		(444)	(11)
Interest bearing loans		-	(1,185)
		(444)	(1,196)
Total identifiable net assets		22,749	5,006
Non-controlling interest		10,769	2,102
<b>Net assets attributable to the Group</b>		11,980	2,904
<b>Summarised statement of profit or loss</b>			
Revenue from contracts with customers		-	-
Administration expenses		(277)	(62)
IPO expenses		(1,193)	-
Professional fees		(218)	-
Management fees		(200)	-
Directors' fees		(50)	-
Finance costs		(1)	(9)
Depreciation and amortisation expense		(55)	-
Unrealised gain (loss) on investment at FVTPL		(289)	36
Profit (loss) for the year before income tax (continuing operations)		(2,283)	(35)
Income tax benefit (expense)		599	-
Profit (loss) for the year after income tax (continuing operations)		(1,684)	(35)
Attributable to:			
Equity holders of parent		(1,231)	(21)
Non-controlling interest		(1,053)	(15)

# Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

## NOTE 19 SUBSIDIARY COMPANIES (continued)

### 19.2 White Graphene

White Graphene (WGL) was incorporated on 24 August 2020 as an application project under the Joint Venture Research Agreement with Deakin University (Deakin). The principal activity of WGL is to establish the world's first pilot line for large scale production of boron nitride nanosheets (white graphene).

White graphene is the name given to Boron Nitrides Nanosheets (BNNS) which have similar properties to BNNT such as high thermal conductivity, electrical insulation and radiation shielding but can be produced at a significantly lower cost. Hence, their application is very broad and includes uses such as thin-film photovoltaics, microelectronics, advanced battery and supercapacitor technology, optics, bioengineering, nanocomposites and advanced polymers and ceramics and corrosion protection coatings.

This project has been under research at Deakin University for more than 8 years and Deakin has a two patents pending titled "Preparation of Nanosheets via ball milling in the presence of reactive gases" and "Production of Boron Nitride Nanosheets". WGL has an exclusive global license to commercialise products using either or both patents for a period of twenty years and has issued 20,000,000 fully paid ordinary shares to Deakin as full payment for the license to use the patents. It is intended that all intellectual property developed will vest in WGL.

WGL has entered into an eighteen month research and development agreement with Deakin to further the research and development previously undertaken on the optimum parameters for production, to determine the most efficient industrial processes including automation and to ultimately design, manufacture and test the pilot line.

During the period, the main focus has been on continuing the ongoing research by Deakin and obtaining the financing for the project. The research experienced delays during the period caused by restrictions imposed by the Victorian government due to COVID-19. Funding has been obtained, initially by PPK through shareholder loans to WGL and then a \$2,800,000 capital raising from Sophisticated Investors in December 2020.

Under a Shareholders' Deed, PPK is responsible for sourcing the financing and commercialising white graphene, Deakin is responsible for research and development and BNNTTL is responsible for contributing its technical skills and know how to assist WGL to commercialise white graphene.

The summarised financial information of White Graphene is provided below. This information is based on amounts before inter-company eliminations. On incorporation, PPK's direct interest in White Graphene was 100%, on 22 October 2020, after the issuance of shares to Deakin and BNNTTL, it was 65% (consolidated interest of 70.0%) and in December 2020, after the issuance of 7,000,000 ordinary shares in the capital raise, it changed to 59.8% (consolidated interest of 64.4%).

# Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

## NOTE 19 SUBSIDIARY COMPANIES (continued)

Summarised statement of financial position	Notes	2021 \$'000
<b>Assets</b>		
Cash and cash equivalents		2,005
Trade and other current assets		46
Property, plant and equipment		384
		2,435
<b>Liabilities</b>		
Trade and other payables		(8)
		(8)
Total identifiable net assets		2,427
Attributable to:		
Non-controlling interest		864
<b>Net assets attributable to the Group</b>		1,563
<b>Summarised statement of profit or loss</b>		
Revenue from contracts with customers		-
Administration expenses		(55)
Professional fees		(15)
Management fees		(100)
Directors' fees		(50)
Depreciation and amortisation expense		(11)
Foreign exchange gain (loss) on financial assets at FVTPL		(3)
Profit (loss) for the year before income tax (continuing operations)		(234)
Income tax benefit (expense)		-
Profit (loss) for the year after income tax (continuing operations)		(234)
Attributable to:		
Equity holders of parent		(154)
Non-controlling interest		(80)

See Note 35.4 for related party balances.

# Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

## NOTE 20 INVESTMENTS IN ASSOCIATES AND A JOINT VENTURE - NON - CURRENT

	Notes	Consolidated Entity	
		2021 \$'000	2020 \$'000
<b>Investment in associates and a joint venture</b>		<b>28,126</b>	25,086
<b>20.1 Investment in a joint venture</b>		<b>20,735</b>	19,236

PPK has a joint venture with Deakin and others to commercialise Deakin's patented Boron Nitride Nanotubes manufacturing technology. The Group's 50% interest in BNNTTL increased to 51% on 2 June 2021 as a result of a selective buyback of shares and the Group continues to be account for BNNTTL using the equity method in the financial statements due to control restrictions in the shareholder agreement with Deakin. The summarised financial information of BNNTTL, based on its audited financial statements, and a reconciliation with the carrying amount of the investment in the consolidated financial statements are set out below:

### Summarised statement of financial position of BNNT Technology Limited:

Current assets (including cash \$1.844M (2020: \$0.502M), receivables \$0.796M (2020: \$0.152M))	<b>2,787</b>	672
Non-current assets ((including investments \$23.200M (2020: \$3.250M), intangibles \$2.805M (2020: \$2.964M), fixed assets \$2.117M (2020: \$1.901M))	<b>28,122</b>	8,115
Current liabilities (including income taxes \$0.655 (2020: \$nil))	<b>(935)</b>	(177)
Non-current liabilities (including deferred tax liability \$6.261M (2020: \$0.593M))	<b>(6,281)</b>	(613)
<b>Equity</b>	<b>23,693</b>	7,997
Group's share in equity - 51% (2020: 50%)	<b>11,847</b>	3,999
Adjustment of investment in Li-S Energy at fair value	<b>(7,341)</b>	(1,179)
Adjustment of investment in White Graphene at fair value	<b>(1,183)</b>	-
Adjustment for share buyback	<b>1,000</b>	-
Adjustment for interest charged by PPK	<b>(4)</b>	-
Recognition of Group's share of the profit (loss) for 30 June 2019	<b>(50)</b>	(50)
Intangibles	<b>16,466</b>	16,466
<b>Group's carrying amount of the investment</b>	<b>20,735</b>	19,236

# Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

## NOTE 20 INVESTMENTS IN ASSOCIATES AND A JOINT VENTURE - NON - CURRENT (continued)

	Notes	Consolidated Entity	
		2021 \$'000	2020 \$'000
<b>Summarised statement of profit or loss of BNNT Technology Limited:</b>			
Revenue from contracts with customers		478	14
Cost of sales		(42)	-
Gross profit		436	14
Other income		24,951	3,364
Employee expenses		(488)	(157)
Administration expenses		(319)	(108)
Depreciation and amortisation		(583)	(261)
Finance costs		(9)	(4)
Royalty expenses		(24)	-
Foreign exchange gain (loss)		-	(6)
Profit (loss) for the year before income tax (continuing operations)		23,964	2,842
Income tax benefit (expense)		(6,268)	(593)
Profit (loss) for the year after income tax (continuing operations)		17,696	2,249
Total comprehensive income (loss) for the year after income tax (continuing operations)		17,696	2,249
Adjustment for investment in Li-S Energy at fair value		(21,750)	(3,250)
Adjustment for tax effect of investment in Li-S Energy at fair value		5,655	893
Adjustment for investment in White Graphene at fair value		(3,198)	-
Adjustment for tax effect of investment in White Graphene at fair value		832	-
Adjustment for intercompany sales of BNNT		(420)	-
Adjustment for tax effect of intercompany sales of BNNT		109	-
Adjustment for interest charged by PPK		(6)	-
Adjusted total comprehensive income (loss) for the year after income tax (continuing operations)		(1,082)	(108)
Group's share of the profit (loss) for the year		(541)	(54)
Group's share of profit (loss) from acquisition to the year end 30 June 2019		-	(50)
		(541)	(104)

See Note 2.24 for more detail.



# Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

## NOTE 20 INVESTMENTS IN ASSOCIATES AND A JOINT VENTURE - NON - CURRENT (continued)

BNNTTL has the following related party agreements in place with its major shareholders:

### Shareholders Agreement

A Shareholders Deed with PPK Group Limited, Deakin University and two other shareholders which sets out the respective rights and obligations of the shareholders as members of the Company and the arrangements for the management, control and funding of the Company. Key terms of the deed in relation to the shareholders and directors management and control are:

- PPK and Deakin University are entitled to appoint two directors each and each director is a nominee of the shareholder who nominated them. Subject to the Director's duties under applicable law and the Deed, the directors may act in the interests of the shareholder who appointed them;
- A quorum for a board meeting requires a majority of the directors;
- Each director has one vote;
- Ordinary decisions require more than 50% of the total votes of all directors;
- Special majority decisions require more than 80% of the total votes of all directors; and
- Management vests in the Board;
- A quorum for a shareholders meeting will be constituted by the attendance of majority of the shareholders and must include a representative from PPK and Deakin University;
- Each shareholder has one vote;
- Ordinary decisions of the shareholders require more than 50% of the total votes of all shareholders; and
- Special majority decisions require more than 75% of the total votes of all shareholders.

Under the Shareholders Agreement the Company must provide its technical skills and know how to assist with developing and commercialising new products.

On 4 August 2021, the Shareholders' and directors of BNNTTL executed a Deed of Variation of Shareholders Agreement whereby the following changes are made to the Shareholders Agreement:

- Deakin is only entitled to appoint one director and one of the current Deakin appointed directors must resign;
- AIC Investment Corporation is entitled to appoint two directors and has appointed Robin Levison and Mark Winfield;
- The directors may, by unanimous resolution, appoint one independent director who will act as Chairperson and Glenn Molloy has been appointed;
- Ordinary Decisions of Shareholders is amended with each shareholder having one vote and decisions will be made by a majority of votes cast by the Shareholders;
- Special Majority Decisions of the Board is amended from 80% to 75%;
- Special Majority Decision of the Shareholders' is deleted and replaced with the words an ordinary decision of the Shareholders.

### Joint Venture Agreement

A Joint Venture Agreement with PPK Group Limited and Deakin University for the research, development and commercialisation of new and existing technologies and products where BNNT can be used to create and/or improve these technologies and products whereby:

- BNNTTL provides BNNT and related technologies, products, technical skills and know how;
- Deakin University provides existing intellectual property, services of specialist personnel from the Institute of Frontier Materials and other equipment including the university's specialist facilities where required; and
- PPK provides all other services to commercialise the new technologies and services, including the procurement of other specialists with experience in the respective industries, and source or assist with funding and industry partners.

# Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

## NOTE 20 INVESTMENTS IN ASSOCIATES AND A JOINT VENTURE - NON - CURRENT (continued)

### Technology Licence Agreement

A licence agreement with Deakin University for an exclusive global 20 year licence, commencing 1 June 2018, to commercialise the BNNT manufacturing technology patented by Deakin University.

### Lease

A one year lease with Deakin University for the premises at Waurnd Pond, Geelong expiring 31 May 2022 for \$0.006M per month.

### Loan Agreements

BNNTTL had a Loan Agreement to a maximum amount of \$0.500M to fund the Li-S battery project, interest bearing at 4.5% and maturing in 36 months from the date the loan is advanced or such other date the parties agree in writing. The loan facility agreement was terminated on the repayment of the loan on 20 July 2020.

PPK Group Limited had a loan facility agreement with BNNTTL to provide a maximum of \$1.000M loan at normal commercial terms. The loan facility agreement was terminated on the repayment of the loan during the year.

A condition of the lease with Deakin University is that BNNTTL has the following commitments to Deakin University:

- an initial \$0.500M payment for Deakin University to develop a research plan for the Company; and
- a \$2.000M per annum payment for research funding once the Company's revenue exceeds \$5.000M per annum.

A condition of the Technology License Agreement is the Company has a quarterly royalty payment of 5% of the gross revenue received by or payable to the Company or any of its sub-licensees.

The previous commitment under the Technology License Agreement to generate \$50 million of gross revenues within the first three years after the Evaluation Completion Date was waived on 19 July 2021.

Subsequent to the end of the financial year, BNNTTL had the following events:

### Supply Agreement with Li-S Energy

On 9 July 2021 entered into a supply agreement with Li-S for the supply of BNNTs to Li-S for the purposes of using BNNTs in Li-S's development, testing and manufacture of the Li-S batteries. The key material terms of the supply agreement are as follows:

<b>Term:</b>	The contract commenced on 9 July 2021 for an initial term of 5 years and automatically renews for further 2 year terms unless Li-S elects not to renew the agreement by giving at least 3 months' notice prior to the expiry of the latest term.
<b>Termination:</b>	Either party may terminate the agreement immediately if the other party commits a material breach that is unable to be rectified or where able to be rectified, fails to do so within a cure period, or the other party is insolvent or similar.
<b>Product supplied</b>	BNNTs with a purity of at least 95% or any other specifications agreed from time to time. The minimum Purchase Order quantity is 10gm.
<b>Permitted Purpose</b>	Li-S may only order BNNTs from BNNTTL to use BNNTs in the Li-S's development, testing and manufacture of batteries (including to stockpile BNNTs for later use in accordance with forecasts) and any other purpose agreed between the parties in writing.
<b>Other terms:</b>	The remainder of the agreement is on the usual commercial terms for a contract of this nature.

# Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

## NOTE 20 INVESTMENTS IN ASSOCIATES AND A JOINT VENTURE - NON - CURRENT (continued)

### Distribution Agreement with Li-S Energy

On 9 July 2021 entered into a distribution agreement pursuant to which Li-S is appointed as distributor for BNNT products within the battery industry, with certain exclusive distribution rights. The key material terms of the distribution agreement are as follows:

**Term:** The contract commenced on 9 July 2021 for an initial term of 5 years and automatically renews for further 2 year terms unless Li-S elects not to renew the agreement by giving at least 3 months' notice prior to the expiry of the latest term.

**Termination:** Either party may terminate the agreement immediately if the other party commits a material breach that is unable to be rectified or where able to be rectified, fails to do so within a cure period, or the other party is insolvent or similar.

**Product used for distribution** BNNTs with a purity of at least 95% or any other specifications agreed from time to time. The minimum Purchase Order quantity is 10gm.

**Permitted Purpose** Li-S may only buy BNNTs from BNNTTL for the following Permitted Purposes (and any other purpose agreed between the parties in writing):

- (c) to distribute BNNTs to third party customers (**Customers**), provided the Customers are only permitted to use BNNTs to develop, test or manufacture lithium-sulphur batteries (including to stockpile BNNTs for later use in accordance with forecasts);
- (d) to distribute BNNTs to Customers, provided the Customers are only permitted to use BNNTs to develop, test or manufacture batteries that are not lithium-sulphur batteries (including to stockpile BNNTs for later use in accordance with forecasts); and
- (e) to manufacture, to licence the manufacture of and/or distribute nanomesh products incorporating BNNTs (including Li-Nanomesh) for the use in any form or type of battery.

**Territory** Worldwide

**Nature of Appointment** Distributor in the Territory for the Permitted Purpose during the Term.

Exclusive distributor for the Permitted Purposes relating to the distribution in respect of lithium-sulphur batteries and Li-S Energy's nanomesh materials (paragraphs (a) and (c) above), for the first seven years of the agreement.

**Other terms:** The remainder of the agreement is on the usual commercial terms for a contract of this nature.

On 16 July 2021 sold 10,000,000 shares in Li-S for \$8,500,000.

On 16 July 2021, BNNTTL entered into a non-exclusive distribution agreement for the sale of BNNT in Japan with an international company.

On 19 July 2021, BNNTTL and Deakin signed a Deed of Variation of the License Agreement in respect of Boron Nitride Nanotubes Manufacturing Technology which removed the obligation for BNNTTL to generate \$50 million gross revenue in the first three years.

On 19 July 2021, the board approved the capital expenditure to build two separate 6 furnace modules with the expectation of substantially increasing manufacturing production.

	Consolidated Entity	
	2021 \$'000	2020 \$'000
<b>20.2 Investment in associates</b>	7,391	5,850
Craig International Ballistics Pty Ltd	5,831	5,850
AMAG Holdings Australia Pty Ltd	1,500	-
Ballistic Glass Pty Ltd	60	-
	<b>7,391</b>	5,850

# Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

## NOTE 20 INVESTMENTS IN ASSOCIATES AND A JOINT VENTURE - NON - CURRENT (continued)

### Craig International Ballistics Pty Ltd (CIB)

The group has a 45% interest in Craig International Ballistics Pty Ltd which is an unlisted Australian company that is a leading manufacturer of soft and hard ballistic (body armour) products primarily for the security and defence sectors. The Group's interest is accounted for using the equity method in the consolidated financial statements.

The following table illustrates the summarised financial information of the Group's investment in CIB:

Summarised Statement of financial position	2021 \$'000	2020 \$'000
Current assets	3,901	4,401
Non-current assets	14,651	14,325
Current liabilities	(1,030)	(1,475)
Non-current liabilities	(4,243)	(4,250)
<b>Equity</b>	<b>13,279</b>	<b>13,001</b>
Group's share in equity - 45% (2020: 45%)	5,976	5,850
Adjustment of investment in Li-S Energy at fair value	(145)	-
	<b>5,831</b>	<b>5,850</b>
<b>Summarised statement of profit (loss)</b>		
Revenue from contracts with customers	8,627	11,296
Profit (loss) for the year before income tax (continuing operations)	1,472	1,943
Income tax benefit (expense)	(388)	(541)
Profit (loss) for the year after income tax (continuing operations)	1,084	1,402
Total comprehensive income (loss) for the year after income tax (continuing operations)	1,084	1,402
Group's share of profit (loss) for the year	488	631
Adjustment of investment in Li-S Energy at fair value	(145)	-
	<b>343</b>	<b>631</b>
<b>AMAG Holdings Australia Pty Ltd (AMAG)</b>	<b>1,500</b>	<b>-</b>

The group has a 20% interest in AMAG who have developed the world's first Safe Mobility Alert Real Time (SMART) delivered via Software-as-a-Service to enable governments to achieve Vision Zero and Safe Systems policy objectives. During the year AMAG has continued integrating video analytics, artificial intelligence, deep learning and advanced econometrics techniques to provide analytics for managing road safety and has entered into contracts with cities and other government departments in a number of countries for the SMART services.

The Group's share of fair values of the identifiable assets and liabilities of AMAG as at the date of the acquisition, being 16 December 2020, were based upon AMAG's management information and were:

<b>Assets</b>	-
Cash	1,500
Intangibles	6,000
<b>Liabilities</b>	-
Total identifiable net assets at fair value	7,500
Purchase consideration transferred	1,500
<b>Purchase consideration transferred</b>	
Cash	1,500

# Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

## NOTE 20 INVESTMENTS IN ASSOCIATES AND A JOINT VENTURE - NON - CURRENT (continued)

AMAG is developing its own software for new markets thus the Group recognises the software development as an intangible asset.

From the date of acquisition, AMAG has contributed a break even after tax result from its operations based upon AMAG's management information as follows:

	2021 \$'000	
<b>Investment in AMAG</b>		
Current assets	1,083	
Non-current assets	6,521	
Current liabilities	(104)	
Equity	7,500	
Group's share in equity - 20%	1,500	
Revenue from contracts with customers for the period from acquisition to 30 June 2021	130	
Profit (loss) for the period from acquisition to 30 June 2021 before income tax	-	
Income tax expense (benefit)	-	
Profit (loss) from acquisition to 30 June 2021 (continuing operations)	-	
Total comprehensive income (loss) from acquisition to 30 June 2021 (continuing operations)	-	
Group's share of profit (loss) from acquisition to 30 June 2021	-	
	2021 \$'000	2020 \$'000
<b>Investment in Ballistic Glass Pty Ltd</b>	60	-

Ballistic Glass Pty Ltd is developing manufacturing processes for incorporating BNNT into transparent materials to enhance ballistic performance in ballistic body armour and bullet resistant glass. PPK has a 40% interest and CIB has a 20% interest in Ballistic Glass Pty Ltd. During the financial year Ballistic Glass Pty Ltd has continued its research into these projects.

# Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

## NOTE 20 INVESTMENTS IN ASSOCIATES AND A JOINT VENTURE - NON - CURRENT (continued)

	2021 \$'000	2020 \$'000
<b>Summarised Statement of financial position</b>		
Current assets	10	-
Non-current assets	45	-
Current liabilities	(64)	-
Non-current liabilities	-	-
<b>Equity</b>	(9)	-
Group's share in equity - 40% (2020: 40%)	(3)	-
Adjustment for loan from PPK	63	-
	60	-
<b>Summarised statement of profit (loss)</b>		
Revenue from contracts with customers	-	-
Profit (loss) for the year before income tax (continuing operations)	8	-
Income tax benefit (expense)	-	-
Profit (loss) for the year after income tax (continuing operations)	8	-
Total comprehensive income (loss) for the year after income tax (continuing operations)	8	-
Group's share of profit (loss) for the year	3	-
Adjustment for interest charged by PPK	(3)	-
	-	-

		Consolidated Entity	
	Notes	2021 \$'000	2020 \$'000
<b>20.3 Share of profit of an associate and a joint venture</b>			
Group's 51% interest in BNNTTL's profit (loss) for the year before income tax (continuing operations)	20.1	(541)	(104)
Group's 45% interest of CIB's profit (loss) for the year before income tax (continuing operations)	20.2	343	880
Group's 20% interest in AMAG's profit (loss) from acquisition to 30 June 2021 (continuing operations)	20.2	-	-
Group's 40% interest of Ballistic Glass's profit (loss) for the year before income tax (continuing operations)	20.2	-	-
		(198)	776



# Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

## NOTE 21 INVESTMENT - NON - CURRENT

	Notes	Consolidated Entity	
		2021 \$'000	2020 \$'000
<b>Financial assets at FVTPL</b>		<b>4,472</b>	2,547
Listed equity investments		2,214	-
Unlisted equity investment		2,258	2,547
		<b>4,472</b>	2,547

The fair value of listed equity investments are determined by reference to the published closing price of the shares on the ASX on 30 June 2021.

The unlisted equity investment is in Zeta Energy LLC. Zeta Energy LLC confirmed that the United States Dollar valuation, based on a capital raising value, as at 30 June 2021 which equated to AUD2.258M converted to Australian Dollars at the prevailing exchange rate of \$0.7518. The revaluation of the investment resulted in an unrealised loss of the investment of \$0.067M and a foreign exchange loss of \$0.222M.

On 26 June 2021 Li-S Energy was notified by Zeta Energy LLC that the requirement for Li-S Energy to complete an Initial Public Offering by 31 December 2021 had been removed.

## NOTE 22 PROPERTY PLANT AND EQUIPMENT - NON - CURRENT

Land and buildings - at valuation	1,500	1,500
Less: Accumulated depreciation	(67)	(34)
	<b>1,433</b>	1,466
Reclassified to assets-held-for sale	(1,433)	-
	-	1,466
Plant and equipment - at cost	9,450	9,609
Less: accumulated depreciation and impairment	(6,059)	(5,835)
	<b>3,391</b>	3,774
Reclassified to assets-held-for sale	(2,861)	-
Total property, plant and equipment of continuing operations	<b>530</b>	5,240

# Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

## NOTE 22 PROPERTY PLANT AND EQUIPMENT - NON - CURRENT (continued)

	Land & Buildings \$'000	Plant & Equipment \$'000	Total \$'000
<b>Consolidated - 2021</b>			
Carrying amount at start of year	1,466	3,774	5,240
Revaluation	-	-	-
Additions	-	817	817
Disposals	-	(558)	(558)
Transfers	-	-	-
Depreciation & amortisation expense	(33)	(642)	(675)
	1,433	3,391	4,824
Reclassified to Disposal Group	(1,433)	(2,861)	(4,294)
Carrying amount at end of year	-	530	530
<b>Consolidated - 2020</b>			
Carrying amount at start of year	1,500	3,839	5,339
Revaluation	-	-	-
Additions	-	721	721
Disposals	-	(9)	(9)
Transfers	-	(100)	(100)
Depreciation & amortisation expense	(34)	(677)	(711)
Carrying amount at end of year	1,466	3,774	5,240

The land and buildings at Mt Thorley, NSW, is where the Firefly and Rambor businesses operate, and were independently valued on 11 June 2019.

## NOTE 23 RIGHT-OF-USE ASSETS

	Consolidated Entity	
	2021 \$'000	2020 \$'000
Right-of-use assets - at cost	5,395	5,276
Less: accumulated depreciation and impairment	(3,327)	(1,648)
	2,068	3,628
Reclassified to Disposal Group	(2,068)	-
	-	3,628
<b>Consolidated - 2021</b>		
Carrying amount at start of year	3,628	5,276
Revaluation	-	-
Additions	119	-
Disposals	-	-
Transfers	-	-
Depreciation & amortisation expense	(1,679)	(1,648)
	2,068	3,628
Reclassified to Disposal Group	(2,068)	-
<b>Carrying amount at end of year</b>	<b>-</b>	<b>3,628</b>

The Group recognised expense from short-term leases of \$0.219M for the period ended 30 June 2021.

The Group has not given or received any rent concessions.

# Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

## NOTE 24 INTANGIBLE ASSETS - NON - CURRENT

	Notes	Consolidated Entity	
		2021 \$'000	2020 \$'000
Intangibles		1,622	3,038
BNNT application projects - at cost		1,682	428
Less: accumulated amortisation and impairment		(60)	-
		1,622	428
Mining equipment manufacturing - at cost		3,515	2,653
Less: Accumulated amortisation and impairment		(63)	(43)
		3,452	2,610
Reclassified to Disposal Group		(3,452)	-
<b>Carrying amount at end of year</b>		<b>1,622</b>	<b>3,038</b>
(Amortisation charges are included in cost of goods sold)			
<b>Development Costs</b>			
Balance at the beginning of year		3,038	1,606
Additions at cost		2,116	1,467
Amortisation charge		(80)	(35)
		5,074	3,038
Reclassified to Disposal Group		(3,452)	-
		1,622	3,038
Not yet ready for use		1,622	2,976
Other		-	62
		1,622	3,038

Refer Note 2.18 and Note 2.26 for more detail.

## NOTE 25 TRADE AND OTHER PAYABLES - CURRENT

Trade payables - unsecured	23	2,981
Sundry payables and accruals - unsecured	334	1,352
<b>Total</b>	<b>357</b>	<b>4,333</b>

# Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

## NOTE 26 LEASE AND OTHER LIABILITIES

	Consolidated Entity	
	2021 \$'000	2020 \$'000
<b>Current</b>	-	1,681
<b>Non-current</b>	-	1,998
	-	3,679
Reclassified to Disposal Group – Current	(1,681)	-
Reclassified to Disposal Group – Non-current	(1,998)	-
<b>Total</b>	-	3,679

## NOTE 27 INTEREST-BEARINGS LOANS AND BORROWINGS

<b>Current</b>		
BNNTTL -unsecured	-	152
<b>Total</b>	-	152
<b>Non-Current</b>		
Other loans - unsecured	399	-
<b>Total</b>	399	-

See Note 32.

Per the Shareholders Agreements with the BNNT application projects, shareholders may provide financing in the form of short term loans to the entities responsible for the application projects. In 2021, loans bear interest at 3.0% per annum, are unsecured and payable within three years from the date of being drawn down. For loans to entities which are subsidiaries, the Group's proportion of the loans are eliminated on consolidation and the loans outstanding are the equity interests of the other shareholders.

The loan to BNNTTL incurred interest at 4.5% per annum and was repaid on 20 July 2020.

The Group has a finance facility up to a maximum of \$4.000M from a major Australian bank (see Note 34). This facility was not drawn down during the financial year.

## NOTE 28 PROVISIONS

<b>Current</b>		
Annual leave	134	1,247
Long service leave	-	334
<b>Total current</b>	134	1,581
<b>Non-Current</b>		
Long service leave	13	261
Make good	-	40
<b>Total Non-current</b>	13	301

Annual leave and current long service leave comprise amounts payable that are vested and could be expected to be settled within 12 months of the end of the reporting period.

# Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

## NOTE 28 PROVISIONS (continued)

Non-current long service leave comprises amounts that are not vested at the end of the reporting period and the amount and timing of the payments to be made when leave is taken is uncertain.

Make good provision comprise estimated costs to return leased premises and assets to their contractual agreed condition on expiry of the lease.

	Notes	Consolidated Entity	
		2021 \$'000	2020 \$'000
Current		-	1,581
Non-current		-	301
<b>Total</b>		-	1,882

## NOTE 29 CONTINGENT CONSIDERATION

Financial liability at fair value through profit or loss	-	-
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As a consideration of the acquisition of AICIC in 2019, the Group had a contingent consideration of \$10.000M to the vendor if AICIC's EBIT for the two financial years commencing subsequent to the acquisition was greater than \$10.000M. The vendor is entitled to a payment of 50% of the amount of the EBIT over the \$10.000M to a maximum payment of \$10.000M. Under AASB 3: Business Combinations the Group recognised this contingent consideration at the acquisition date in the purchase price accounting, discounted to its fair value using an indicative financing rate of 4.36%, calculated at \$9.041M. The Directors at that time considered a 100% probability of payout likely.

In the 2020 financial year, the Directors used significant judgement to determine that the probability of a payout was unlikely. On 28 June 2021, the Vendor signed a waiver of their entitlement to the earnout and acknowledged all rights were forever and irrevocably extinguished.

## NOTE 30 SHARE CAPITAL

### 30.1 Issued capital

89.052M (2020: 85.621M) ordinary shares fully paid	75,348	59,500
Movements in ordinary share capital		
Balance at the beginning of the financial year	59,500	47,743
New shares issued, net of transaction costs	14,597	8,049
Shares issued on acquisition, net of costs	-	2,241
Shares issued from dividend reinvestment plan	479	941
Shares issued for Employee Share Scheme	-	137
Shares issued for Long Term Incentive Plan	772	389
<b>Total</b>	<b>75,348</b>	<b>59,500</b>

# Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

**NOTE 30 SHARE CAPITAL** (continued)**30.2 New shares issued**

	Notes	Consolidated Entity	
		2021 \$'000	2020 \$'000
Issued for cash to accelerate research, development and commercialisation of BNNT application projects, fund further technology investment opportunities and separate the mining business @ \$5.50 per share		15,400	-
Less transaction costs for issued share capital		(803)	-
		14,597	-
Issued for cash to fund the acquisition of CIB, JVRA application projects and working capital @ \$4.25 per share		-	8,500
Less transaction costs for issued share capital		-	(451)
		-	8,049
New shares issued for cash, net of transaction costs		14,597	8,049
Issued on acquisition of 45% interest in CIB @ \$4.50 per share		-	2,250
Less transaction costs for issued share capital		-	(9)
		-	2,241
Issued from dividend reinvestment plan	10(d)	483	949
Less transaction costs for issued share capital		(4)	(8)
		479	941
Issued for Employee Share Scheme @ \$5.7803		-	138
Less transaction costs for issued share capital		-	(1)
		-	137
Issue to Long Term Incentive Plan Trust Account		784	396
Less transaction costs for issued share capital		(12)	(7)
		772	389

The shares have no par value and each share is entitled to one vote at shareholder meetings. Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

## Reconciliation of transaction costs on issue of share

For the raising of cash	(803)	-
For the Long Term Incentive Plan Trust Account	(12)	(7)
For the dividend reinvestment plan	(4)	(8)
For the acquisition of CIB, JVRA application projects and working capital	-	(451)
For acquisition of 45% interest in CIB	-	(9)
For the Employee Share Scheme	-	(1)
Transaction costs attributable to PPK	(819)	(476)
For the raising of cash in Li-S Energy Limited and WGL	(1,176)	(221)
	(1,995)	(697)



# Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

## NOTE 30 SHARE CAPITAL (continued)

### 30.3 Share movements

Movements in number of ordinary shares

	Consolidated Entity	
	2021 \$'000	2020 \$'000
Balance at the beginning of the financial year	85,620,743	82,488,074
New shares issued	3,431,050	3,132,669
<b>Total</b>	<b>89,051,793</b>	85,620,743

### 30.4 Treasury share movements

	2021 No. of Shares	2021 \$'000	2020 No. of Shares	2020 \$'000
Opening balance of treasury shares	696,771	(227)	695,122	(220)
Shares purchased in the Dividend Reinvestment Plan	-	-	1,649	(7)
Shares purchased	4,367	(57)	-	-
Shares sold	(246,771)	81	-	-
<b>Closing balance of treasury shares</b>	<b>454,367</b>	<b>(203)</b>	696,771	(227)

During the year ended 30 June 2021, shares with a cost of \$0.081M were sold for cash consideration of \$2.025M. The gain on this transaction was recorded as an increase in equity attributable to members of the parent.

### 30.5 Capital risk management

The Group considers its capital to comprise its ordinary shares, treasury shares, reserves and retained earnings.

In managing its capital, the Group's primary objective is to ensure its continued ability to provide a consistent return for its equity shareholders through capital growth and distributions and through the payment of annual dividends to its shareholders. In order to achieve this objective, the Group seeks to maintain a gearing ratio that balances risks and returns at an acceptable level and to maintain a sufficient funding base to enable the Group to meet its working capital and strategic investment needs. In making decisions to adjust its capital structure to achieve these aims, either through altering its dividend policy, new share issues, share buy-backs, or the increase/reduction of debt, the Group considers not only its short-term position but also its long-term operational and strategic objectives.

For the 2021 financial year, the Group's policy is to maintain its gearing ratio within the range of 0% - 20% (2020: 0% - 20%). The Group's gearing ratio at the balance sheet date is shown below:

	Notes	Consolidated Entity	
		2021 \$'000	2020 \$'000
<b>Gearing Ratios</b>			
Total borrowings		399	152
Less cash and cash equivalents		(30,365)	(2,309)
Net debt (cash surplus)		(29,966)	(2,157)
Total equity		88,264	54,193
Total capital		88,264	54,193
Gearing ratio		0%	0%

The gearing ratio is calculated excluding lease liabilities.

The Group intends to minimise debt, but have the ability to access debt should it be necessary, with a focus on funding the technology application projects and maintaining dividend payments. There is no change as to what the Group considers to be its capital.

# Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

## NOTE 31 CAPITAL RESERVES

	Notes	Consolidated Entity	
		2021 \$'000	2020 \$'000
Reserves		19,068	4,143
Share options reserve	31.1	396	869
Asset revaluation surplus	31.2	-	350
Share premium reserve	31.3	16,733	2,924
Dividend revaluation reserve	31.4	1,939	-
		19,068	4,143

### Movement in reserves

#### 31.1 Share options reserve

Opening balance	869	321
Issue of performance rights	311	-
Shares transferred to trust	(784)	548
Closing balance	396	869

The share options reserve is used to recognise the value of equity settled share-based payments provided to employees, including key management personnel, as part of their remuneration.

The fair value of the options at issue date is deemed to represent the value of employee services received over the vesting period, recognised as a proportional share-based payment expense during each reporting period, with the corresponding credit taken to a share option reserve.

#### 31.2 Asset revaluation surplus

Opening balance	350	350
Transfer to reserve of disposal group held for sale	(350)	-
Closing balance	-	350

The asset revaluation surplus is used to recognise the fair value movement of land and buildings in the disposal group held for sale upon revaluation.

#### 31.3 Share premium reserve

Opening balance	2,924	-
Increase in PPK's and related entities interest in Li-S Energy's issued capital and reserves	12,102	2,924
Increase in PPK's and related entities interest in White Graphene's issued capital and reserves	1,707	-
Closing balance	16,733	2,924

The share premium reserve is used to recognise PPK's and related entities interests in Li-S Energy's issued capital and reserves of 48.5% directly (30 June 2020: 58%) and an additional 3.4% (30 June 2020: 4.9%) through ownership by related entities (see Note 19.1) and PPK's and related interests in White Graphene's issued capital and reserves of 59.8% and an additional 4.6% through ownership by related entities (see Note 19.2).

# Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

**NOTE 31 CAPITAL RESERVES** (continued)**31.4 Dividend revaluation reserve**

	Consolidated Entity	
	2021 \$'000	2020 \$'000
Opening balance	-	-
Revaluation of Li-S Energy's shares distributed as an in specie dividend	2,219	-
Li-S Energy's shares distributed as an in specie dividend to minority interests	(263)	-
Li-S Energy's shares distributed as an in specie dividend to treasury shares	(17)	-
Closing balance	1,939	-

The dividend revaluation reserve is used to recognise the internal profit generated from the issue of Li-S Energy shares to PPK shareholders in the form of a special dividend of \$0.025 per PPK share held by PPK shareholders on 17 December 2020. PPK shareholders received 0.3846 Li-S Energy shares for every 1 PPK share held (approximately 1 Li-S Energy for every 2.6 PPK shares held).

**NOTE 32 FINANCIAL INSTRUMENTS RISK**

The Group's financial instruments include investments in deposits with banks, receivables, payables and interest bearing liabilities. The accounting classifications of each category of financial instruments, as defined in Note 2.12, Note 2.13, Note 2.18, Note 2.19 and Note 2.23 and their carrying amounts are set out below.

	Weighted Average Interest Rate	Notes	Floating Interest Rate \$'000	Within 1 Year \$'000	1 to 5 Years \$'000	Non- Interest Bearing \$'000
<b>Consolidated 2021</b>						
<b>Financial assets</b>						
Loans	8.5%	15	-	1,569	-	-
Receivables	0.0%	15	-	-	-	152
Cash and cash equivalents	0.0%	14	-	-	-	30,365
Total financial assets			-	1,569	-	30,517
<b>Financial liabilities</b>						
Interest-bearing loans and borrowings	4.5%	27	-	-	399	-
Trade and other payables - current	0.0%	25	-	-	-	356
Total financial liabilities at amortised cost			-	-	399	356
<b>Consolidated 2020</b>						
<b>Financial assets</b>						
Receivables	0.0%	15	-	-	-	6,324
Cash and cash equivalents	0.0%	14	-	-	-	5,344
Total financial assets			-	-	-	11,668
<b>Financial liabilities</b>						
Interest-bearing loans and borrowings	4.5%	27	-	152	-	-
Trade and other payables - current	0.0%	26	-	-	-	4,485
Lease liabilities	5.2%		-	1,681	1,998	-
Total financial liabilities at amortised cost			-	1,833	1,998	4,485

# Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

## NOTE 32 FINANCIAL INSTRUMENTS RISK (continued)

### Financial risk management

The Board of Directors have overall responsibility for the establishment and oversight of the financial risk management framework. The Group's activities expose it to a range of financial risks including market risk, credit risk and liquidity risk. The Group's risk management policies and objectives are therefore designed to minimise the potential impacts of these risks on the results of the Group where such impacts may be material. The Board receives monthly reports, which it reviews and regularly discuss the effectiveness of the processes put in place and the appropriateness of the objectives and policies to support the delivery of the Group's financial targets while protecting future financial security. The Group does not use derivatives.

### 32.1 Market risk

Market risk is the risk that the fair value of future cash flows of the Group's and parent entity's financial instruments will fluctuate because of changes in market prices.

Market risk comprises three types of risk: equity price risk, interest rate risk and currency risk.

#### (i) Equity price risk

The Group has a listed and unlisted equity investments which are susceptible to market price risk arising from uncertainties about future value of the investment securities. The Group manages the equity price risk through reviewing company information for the listed equity investments and updates with the unlisted equity investment's executives to keep abreast of its activities and plans. As the equity investment intends to complete an IPO in the near future, the Group will have access to a market price and public information to manage the market price risks.

At the reporting date, the exposure to the listed equity investments was \$2.214M and the unlisted equity investment was \$2.258M at fair value.

The Group has performed sensitivity analysis relating to its equity price risk based on the Group's year end exposure. This sensitivity analysis demonstrates the effect on after tax results and equity which could result from a movement of market value of +/- 10%.

	Notes	2021 \$'000	2020 \$'000
<b>Change in profit before tax</b>			
- increase in market value by 10%		447	255
- decrease in market value by 10%		(447)	(255)

#### (ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a security will fluctuate due to changes in interest rates. Exposure to interest risk arises due to holding floating rate interest bearing liabilities, investments in cash and cash equivalents and loans to related parties and other persons. The Company was not exposed to significant interest rate risk during the year.

#### (iii) Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial item will fluctuate as a result of movements in international exchange rates. The Group was not exposed to exchange rate transaction risk on foreign currency sales or foreign currency purchases during the year. Sales revenue for the Group for the year was all denominated in Australian dollars (2020: 100%). The Group does not take forward cover or hedge its risk exposure.

The Group is exposed to currency risk in relation to its equity investment which is in US dollars (see Note 32.1(i)). At the year end, the equity investment was converted from United States Dollars to Australian Dollars at the exchange rate of \$0.7518 at 30 June 2021.

<b>Change in profit before tax</b>			
- increase in USD currency rate by \$.01		(23)	(29)
- decrease in USD currency rate by \$.01		23	30

# Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

## NOTE 32 FINANCIAL INSTRUMENTS RISK (continued)

### 32.2 Credit risk

The Group's maximum exposure to credit risk is generally the carrying amount trade and other receivables, net of any allowance for credit losses, and loans. The Group has in place formal policies for establishing credit approval and limits so as to manage the risk. For loans to unrelated third parties, the Group takes adequate security generally by a registered first mortgage over property of the borrower and a registered security interest (fixed and circulating) on the PPSR by way of a loan offer, loan agreement, general security interest agreement and deed of guarantee and indemnity and mortgage.

The Group also has a credit risk exposure in relation to cash at bank. The Group's policy is to ensure funds are placed only with major Australian banks thus minimising the Group's exposure to this credit risk. Refer to note 15 for detail on the Group's trade and other receivables.

The geographic location of customers, relating to these trade receivables, is disclosed in Note 3.1 of these accounts.

	Notes	2021 \$'000	2020 \$'000
Australia		-	-
		-	-

### 32.3 Liquidity risk

Liquidity risk is the risk that the Group and parent will encounter difficulty in meeting obligations associated with financial liabilities. The Group's objective to mitigate liquidity risk is to maintain a balance between continuity of funding and flexibility through the use of bank loans, other loans and lease agreements. The Group and parent's exposure to liquidity risk is not significant based on available funding facilities and cash flow forecasts. Details of the Group's financing facilities are set-out in note 27.

### Financial liabilities maturity analysis

The tables below reflect the undiscounted contractual settlement terms for the Group's financial liabilities of a fixed period of maturity, as well as the earliest possible settlement period for all other financial liabilities. As such the amounts may not reconcile to the balance sheet.

	Carrying amount \$'000	<6 months \$'000	6-12 months \$'000	1-3 years \$'000	>3 years \$'000	Contractual Cash flows \$'000
<b>Consolidated 2021</b>						
<b>Financial liabilities (current &amp; non-current)</b>						
Trade and other payables	356	356	-	-	-	356
Interest-bearing loans and borrowings	399	-	-	399	-	399
Lease liabilities	-	-	-	-	-	-
<b>Total financial liabilities</b>	<b>755</b>	<b>356</b>	<b>-</b>	<b>399</b>	<b>-</b>	<b>755</b>
<b>Consolidated 2020</b>						
<b>Financial liabilities (current &amp; non-current)</b>						
Trade and other payables	4,333	4,333	-	-	-	4,333
Interest-bearing loans and borrowings	152	152	-	-	-	152
Lease liabilities	3,679	688	993	1,998	-	3,871
<b>Total financial liabilities</b>	<b>8,164</b>	<b>5,173</b>	<b>993</b>	<b>1,998</b>	<b>-</b>	<b>8,356</b>

# Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

## NOTE 33 FAIR VALUE MEASUREMENT

### Fair value

The carrying values of financial assets and liabilities listed below approximate their fair value.

Estimated discounted cash flows were used to measure fair value, except for fair values of financial assets that were traded in active markets that are based on quoted market prices.

### Hierarchy

The following tables classify financial instruments recognised in the statement of financial position of the Group according to the hierarchy stipulated in AASB13 as follows:

- Level 1 – the instrument has quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – a valuation technique is used using inputs other than quoted prices within Level 1 that are observable for financial instruments, either directly (i.e. as prices), or indirectly (i.e. derived from prices); or
- Level 3 – a valuation technique is used using inputs that are not based on observable market data (unobservable inputs).

Assets	Notes	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Group 2021</b>					
<b>Non-current assets</b>					
Listed securities	21	2,214	-	-	2,214
Unlisted equity securities	21	-		2,258	2,258
		<b>2,214</b>	<b>-</b>	<b>2,258</b>	<b>4,472</b>
<b>Group 2020</b>					
<b>Non-current assets</b>					
Unlisted equity securities		-	-	2,547	2,547
		-	-	2,547	2,547

The level 3 fair value assessment of unlisted equity securities has been based on advice provided by the investee company as to the most recent capital raise completed by it on or about 30 June 2021. This amount per share in United States Dollars has been converted to Australian Dollars at the prevailing exchange rate of \$0.7518 at 30 June 2021.

## NOTE 34 CONTINGENT ASSETS AND LIABILITIES

The Group has the following bank guarantees which are secured against cash of the same amounts:

- \$0.359M (2020: \$0.359M) for property leases for discontinuing operations; and
- \$0.100M (2020: \$0.100M) for completion of a property development for continuing operations.

Non-bank guarantees and indemnities include:

- A finance facility up to a maximum of \$4.000M from a major Australian bank for discontinuing operations, secured against the debtors of PPK Mining Equipment Pty Ltd, secured by a guarantee and indemnity from PPK Group Limited, PPK Mining Equipment Group Pty Ltd and the subsidiaries of the mining division. This facility was not drawn down during the financial year.
- the lease motor vehicle fleet provider for discontinuing operations has a guarantee and indemnity from PPK Group Limited in relation to the leased motor vehicle fleet.

The Group has the following contingent liabilities:

- \$0.298M for its proportion of funding the BNNT Precious Metals Pty Ltd project for continuing operations, should it be required.
- \$0.594M being the rental arrears owing under a previous property lease for discontinuing operations. The Group signed a new five year lease to 31 July 2022 and, as a condition of this lease, the Lessor has agreed to waive its right to recover the rent arrears if the Group complies with all obligations and pays all amounts due and payable under the lease.

# Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

## NOTE 34 CONTINGENT ASSETS AND LIABILITIES (continued)

The Group is defending a claim in the Supreme Court of NSW in relation to a dispute pertaining to the vesting conditions of a business acquired in 2014 with a vendor employee for the second tranche of \$0.500 of share plus interest and costs for continuing operations. As advised in the 2016 Annual Report, the Group does not believe the vesting conditions were met and still maintains this position.

See Note 35 for additional contingent assets and liabilities.

## NOTE 35 RELATED PARTIES

For details on transactions between related parties refer to Note 9, Note 19, Note 20 and Note 34.

35.1 Details of the nature and amount of each element of the remuneration of each director and key management personnel ('KMP') of PPK Group Limited are shown in the table below:

2021

	Short Term Benefits								
	Salary & Fees (\$)	Cash Bonus (\$)	Non-Monetary (\$)	Post employment Superannuation (\$)	Long Term Benefits (\$)	Termination Payments (\$)	<sup>(1)</sup> Share Based Payments (\$)	Total (\$)	Performance Related (%)
<b>Directors</b>									
<i>Non-Executive</i>									
<b>A McDonald</b>	50,000	-	-	-	-	-	88,057	138,057	64
<b>G Webb</b>	43,333	-	-	-	-	-	-	43,333	
<i>Executive</i>									
<b>R Levison</b>	215,000	-	-	25,000	-	-	-	240,000	
<b>G Molloy</b>	240,000	-	-	-	-	-	-	240,000	
<b>D McNamara<sup>(2)</sup></b>	200,000	-	-	-	-	-	70,701	270,701	26
<b>Total Directors</b>	748,333	-	-	25,000	-	-	158,758	932,091	
<b>Other Key Management Personnel</b>									
<b>K Hostland<sup>(3)</sup></b>	325,000	150,000	-	25,000	-	-	56,561	556,561	37
<b>Total Other</b>	325,000	150,000	-	25,000	-	-	56,561	556,561	
<b>Total Key Management Personnel</b>	<b>1,073,333</b>	<b>150,000</b>	<b>-</b>	<b>50,000</b>	<b>-</b>	<b>-</b>	<b>215,319</b>	<b>1,488,652</b>	

(1) Equity settled share based payments. Performance rights granted are expensed over the performance period, which includes the year to which the bonus relates and the subsequent vesting period of rights. All performance rights fully vested on 1 July 2021.

(2) D McNamara also has use of a fully maintained motor vehicle.

(3) The cash bonus relates to the 2020 financial year.



# Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

## NOTE 35 RELATED PARTIES (continued)

### 35.1 Details of the nature and amount of each element of the remuneration of each director and key management personnel ('KMP') of PPK Group Limited are shown in the table below: (continued)

Directors and key management personnel were also remunerated by Li-S Energy and White Graphene for the year ended 30 June 2021 as follows:

#### 2021

	Short Term Benefits								
	Salary & Fees (\$)	(5)Cash Bonus (\$)	Non-Monetary (\$)	Post employment Super-annuation (\$)	Long Term Benefits (\$)	Termination Payments (\$)	(4)Share Based Payments (\$)	Total (\$)	Performance Related (%)
<b>LI-S ENERGY LIMITED</b>									
R Levison	16,667	100,000	-	-	-	-	24,444	141,111	71
G Molloy	16,667	400,000	-	-	-	-	-	416,667	96
A McDonald	16,667	200,000	-	-	-	-	24,444	241,111	83
K Hostland	-	100,000	-	-	-	-	-	100,000	100
	50,001	800,000	-	-	-	-	48,888	898,889	
<b>WHITE GRAPHENE LIMITED</b>									
R Levison	15,000	-	-	-	-	-	-	15,000	-
G Molloy	15,000	-	-	-	-	-	-	15,000	-
A McDonald	15,000	-	-	-	-	-	-	15,000	-
	45,000	-	-	-	-	-	-	45,000	-

(4) Equity settled share based payments. Service rights granted are expensed over the vesting period from the date of granting to the date that the last tranche vests.

(5) The cash bonus was for services provided by each individual for working extended hours in connection with the preparation of and involvement in the IPO processes and the pre-IPO capital raise, including performing market research, attending additional meetings, prospectus drafting and other related activities which fall outside their normal roles and duties.

Directors and key management personnel also provided services to the other subsidiary companies, the associated companies and the joint venture for which they were not remunerated.

As at the end of the financial year, the number of ordinary shares and Service Rights in Li-S Energy held by directors during the 2021 reporting period is set out below:

	Share Balance at Start of Year	Shares Issued via PPK's In-specie Dividend	Shares Acquired	Shares Sold	Shares Held at the End of the Reporting Period	Service Rights Granted During the Reporting Period	Total Securities Held at the End of the Reporting Period
<b>2021</b>							
<b>Directors</b>							
R Levison	-	1,576,917	1,200,000	-	2,776,917	480,000	3,256,917
G Molloy	-	5,640,784	800,000	-	6,440,784	-	6,440,784
D McNamara	-	1,247,384	200,000	-	1,447,384	-	1,447,384
A McDonald	-	166,961	700,000	-	866,961	480,000	1,346,961
<b>Total Directors</b>	-	8,632,046	2,900,000	-	11,532,046	960,000	12,492,046

As at 30 June 2021, no Service Rights have vested.

# Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

## NOTE 35 RELATED PARTIES (continued)

### 35.1 Details of the nature and amount of each element of the remuneration of each director and key management personnel ('KMP') of PPK Group Limited are shown in the table below: (continued)

Remuneration Details for the year ended 30 June 2020 for Directors' and Key Management Personnel

Details of the nature and amount of each element of the remuneration of each director and key management personnel ('KMP') of PPK Group Limited are shown in the table below:

2020	Short Term Benefits				Post employment Super-annuation (\$)	Long Term Benefits (\$)	Termination Payments (\$)	<sup>(1)</sup> Share Based Payments (\$)	Total (\$)	Performance Related (%)
	Salary & Fees (\$)	Cash Bonus (\$)	Non-Monetary (\$)							
<b>Directors</b>										
<i>Non-Executive</i>										
<b>G Webb</b>	40,000	-	-	-	-	-	-	-	40,000	
<b>A McDonald</b>	45,833	-	-	-	-	-	-	236,943	282,776	84
<i>Executive</i>										
<b>R Levison</b>	215,000	-	-	25,000	-	-	-	-	240,000	
<b>G Molloy</b>	240,000	-	-	-	-	-	-	-	240,000	
<b>D McNamara<sup>(2)</sup></b>	200,000	-	-	-	-	-	-	236,108	436,108	54
<b>Total Directors</b>	740,833	-	-	25,000	-	-	-	473,051	1,238,884	
<b>Other Key Management Personnel</b>										
<b>K Hostland<sup>(3)</sup></b>	325,000	157,625	-	25,000	-	-	-	188,886	696,511	50
<b>Total Other</b>	325,000	157,625	-	25,000	-	-	-	188,886	696,511	
<b>Total Key Management Personnel</b>	1,065,833	157,625	-	50,000	-	-	-	661,937	1,935,395	

(1) Equity settled share based payments. Performance rights granted are expensed over the performance period, which includes the year to which the bonus relates and the subsequent vesting period of rights.

(2) D McNamara also has use of a fully maintained motor vehicle.

(3) The cash bonus relates to the 2019 financial year.

### Performance Income as a Proportion of Total Remuneration

In 2021, K Hostland received an STI award of \$150,000 (2020: \$157,625), after his assessment of annual performance, for achieving targets noted below as set by the Directors for the 2020 financial year representing 92% of his targets. No other bonuses were paid to Key Management Personnel during the year.

Targets	Results	STI Allocation	Outcome
Performance of PPKME	Achieved at Board's discretion	20%	80%
Integration/support of Technology businesses	Achieved at Board's discretion	80%	95%

## Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

### NOTE 35 RELATED PARTIES (continued)

#### 35.1 Details of the nature and amount of each element of the remuneration of each director and key management personnel ("KMP") of PPK Group Limited are shown in the table below: (continued)

The table below shows a reconciliation of performance rights held by each KMP for the year ended 30 June 2021.

Name and Grant Dates	Balance at Start of the Year		Granted During Year	Vested Exercised		Forfeited		Balance at End of Year Unvested
	Vested	Unvested		No.	%	No.	%	
<b>D McNamara</b>								Maximum \$ value to vest <sup>(1)</sup>
Tranche 1	100,000							
Tranche 2		100,000	100,000	100				
Tranche 3		100,000	100,000	100				
Tranche 4		100,000						
<b>A McDonald</b>								
Tranche 1	12,500							
Tranche 2		12,500	12,500	100				
Tranche 3		12,500	12,500	100				
Tranche 4		12,500						
<b>K Hostland</b>								
Tranche 1	75,000				(56,000)			
Tranche 2		75,000	75,000	100				
Tranche 3		75,000	75,000	100				
Tranche 4		75,000						

(1) The maximum value of the performance rights yet to vest has been determined as the amount of the grant date fair value of the performance rights that is yet to be expensed which was calculated using the number of performance rights that were going to be granted. Tranche 4 of the Performance Rights vested on 1 July 2021.

#### Fair Value of each performance right at the grant date is:

	Tranche 1	Tranche 2	Tranche 3	Tranche 4
D McNamara	\$0.500	\$0.500	\$0.486	\$0.430
A McDonald	\$6.500	\$6.500	\$6.500	\$6.500
K Hostland	\$0.500	\$0.500	\$0.486	\$0.430

#### Li-S Energy Non-Executive Director Equity Plan

Robin Levison and Tony McDonald participate in the Li-S Energy Non-Executive Director (NED) Equity Plan. Both Directors have sacrificed their director fees of \$80,000 per annum over a three year period and were granted 160,000 Service Rights over a three year period. The Service Rights were issued as at 1 May 2021 and will vest in three equal tranches on 30 April 2022, 2023 and 2024, providing the NED holds the office of NED on those dates. Each consecutive tranche commences annually on the vesting date of the prior tranche.

The number of Service Rights were calculated by dividing the amount of sacrificed fees by the Share price of \$0.50 per Share being the price at which Shares were issued in the April 2021 capital raise. The fair value of these Service Rights at the time that they were granted have been independently valued at \$0.50 each. There is no amount payable other than the sacrificed fees for the Service Rights.

Each Service Right is an entitlement, upon vesting and exercise, to an ordinary fully paid Share in the Company. Service Rights may not be disposed of at any time except by force of law such as on death and Service Rights may not be exercised prior to vesting but may be exercised at any time once they have vested but must be exercised within 90 days of cessation of holding the office of NED and any role as an employee of the Company.

Each Service Right has a term ending 15 years after the grant date. If not exercised before the end of their term the Service Rights will lapse. The term will be reduced if vested Service Rights are not exercised as required following cessation of being a NED. If a NED ceased to hold the office of a NED during a tranche then Service Rights for that tranche will vest in proportion to the time elapsed as served in the tranche. All subsequent tranches will lapse.

Any unvested Service Rights that do not vest will lapse.

# Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

## NOTE 35 RELATED PARTIES (continued)

### 35.1 Details of the nature and amount of each element of the remuneration of each director and key management personnel ('KMP') of PPK Group Limited are shown in the table below: (continued)

A NED must not enter into an arrangement with anyone if it would have the effect of limiting their exposure to risk in relation to Service Rights (vested or unvested).

If the Board forms the view that a NED has committed an act of fraud, defalcation or gross misconduct in relation to the Company then all unexercised Service Rights will be forfeited.

### 35.2 The Group has the following related party agreements in place:

A Shareholders Deed with Deakin University, BNNT Technology Limited and two other shareholders which sets out the respective rights and obligations of the shareholders as members of BNNT Technology Limited and the arrangements for the management, control and funding of BNNT Technology Limited. Key terms of the deed in relation to the shareholders and directors management and control are:

- PPK and Deakin University are entitled to appoint two directors each and each director is a nominee of the shareholder who nominated them. Subject to the Director's duties under applicable law and the Deed, the directors may act in the interests of the shareholder who appointed them;
- A quorum for a board meeting requires a majority of the directors;
- Each director has one vote;
- Ordinary decisions require more than 50% of the total votes of all directors;
- Special majority decisions require more than 80% of the total votes of all directors; and
- Management vests in the Board.
- A quorum for a shareholders meeting will be constituted by the attendance of majority of the shareholders and must include a representative from PPK and Deakin University
- Each shareholder has one vote;
- Ordinary decisions of the shareholders require more than 50% of the total votes of all shareholders; and
- Special majority decisions require more than 75% of the total votes of all shareholders.

This agreement has been amended subsequent to the year end, see Note 37.1.2.

### 35.3 BNNT Technology Limited, as the joint venture, has the following related party agreements in place:

35.3.1 A Joint Venture Agreement with Deakin University and BNNT Technology Limited for the research, development and commercialisation of new and existing technologies and products where BNNT can be used to create and/or improve these technologies and products whereby:

- BNNT Technology Limited provides BNNT and related technologies, products, technical skills and know how;
- Deakin University provides existing intellectual property, services of specialist personnel from the Institute of Frontier Materials and other equipment including the university's specialist facilities where required; and
- PPK provides all other services to commercialise the new technologies and services, including the procurement of other specialists with experience in the respective industries, and source or assist with funding and industry partners.

The agreement provides for an initial six BNNT application projects with a joint ownership of PPK having a 65% interest, Deakin University having a 25% interest and BNNT having a 10% interest of those entities incorporated for each project. However, the agreement provides for alternative ownership arrangements for BNNT application projects that are entered into outside of the initial six BNNT application projects.

35.3.2 A Technology Licence Agreement with Deakin University to BNNT Technology Limited for an exclusive global 20 year licence, commencing 1 June 2018, to commercialise the BNNT manufacturing technology patented by Deakin University.

A condition of the Technology License Agreement is BNNT Technology Limited has the following commitments to Deakin University:

- a commitment to generate \$50.000M of gross revenues within the first three years after the Evaluation Completion Date; and
- a quarterly royalty payment of 5% of the gross revenue received by or payable to BNNT Technology Limited or any of its sub-licensees.

35.3.3 A three year lease with Deakin University to BNNT Technology Limited for the premises at Waurin Pond, Geelong to expire 31 May 2021 for \$5,868 per month to 31 May 2020 with a 4% increase for June 2020 onwards.

# Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

## NOTE 35 RELATED PARTIES (continued)

### 35.3 BNNT Technology Limited, as the joint venture, has the following related party agreements in place: (continued)

A condition of the lease with Deakin University is that BNNT Technology Limited has the following commitments to Deakin University:

- an initial \$0.500M payment for Deakin University to develop a research plan for BNNT Technology Limited; and
- a \$2.000M per annum payment for research funding once BNNT Technology Limited revenue exceeds \$5.000M per annum.

35.3.4 A Shareholders Agreement with Li-S Energy Limited in which BNNT Technology Limited must provide its technical skills and know how for the Li-S battery project.

35.3.5 A Supply Agreement in which BNNT Technology Limited has agreed to supply 100 grams of BNNT per annum at \$1,000 per gram for a 2 year period to Li-S Energy Limited.

35.3.6 A Loan Agreement to a maximum amount of \$0.500M for BNNT Technology Limited to fund the Li-S battery project, interest bearing at 4.5% and maturing in 36 months from the date the loan is advanced or such other date the parties agree in writing.

### 35.4 Related Party Balances

Li-S Energy Limited had short-term shareholder loans owing to PPK of \$1.033M and to BNNT Technology Limited of \$0.152M to fund the development costs incurred by Deakin University and the purchase of equipment for the Li-S battery project. The loans are interest bearing at 4.5% per annum, unsecured and were repaid on 20 July 2020. The loan to PPK has been eliminated on consolidation.

## NOTE 36 INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

Subsidiaries of PPK Group Limited - Continued Operations :	Country of Incorporation	Notes	Percentage Owned	
			2021 %	2020 %
PPK Aust. Pty Ltd	Australia		100%	100%
PPK Investment Holdings Pty Ltd	Australia		100%	100%
PPK Finance Pty Ltd	Australia		100%	100%
Li-S Energy Limited	Australia		51.8%	58%
White Graphene Limited	Australia	34.4	64.4%	-
BNNT Precious Metals Limited	Australia	34.7	45%	45%
Strategic Alloys Pty Ltd	Australia	34.5, 34.7	45%	-
3D Dental Technology Pty Ltd	Australia	34.7	45%	45%
PPK Prop Co 1 Pty Ltd	Australia	34.6	100%	-
PPK Plans Pty Ltd	Australia	34.3	100%	100%
BNNT Ballistics Pty Ltd	Australia		100%	100%
AIC Investment Corporation Pty Ltd	Australia		100%	100%
Rutuba Pty Limited	Australia		100%	100%
Seven Hills Property Holdings Pty Ltd	Australia		100%	100%
Dandenong South Property Pty Ltd	Australia		100%	100%
Willoughby NSW Holdings Pty Ltd	Australia	34.1	100%	100%
Willoughby NSW Pty Ltd	Australia	34.2	100%	100%
<b>Joint venture with PPK Group Limited</b>				
BNNT Technology Limited	Australia		51%	50%
<b>Associates of PPK Group Limited</b>				
Craig International Ballistics Pty Ltd	Australia		45%	45%
Ballistic Glass Pty Ltd	Australia		40%	40%
AMAG Holdings Australia Pty Ltd	Australia		20%	-

# Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

## NOTE 36 INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (continued)

Subsidiaries - Disposal Group:	Country of Incorporation	Notes	Percentage Owned	
			2021 %	2020 %
PPK Mining Equipment Group Pty Ltd	Australia		100%	100%
PPK Mining Equipment Pty Limited	Australia		100%	100%
PPK Mining Equipment Hire Pty Ltd	Australia		100%	100%
PPK Mining Repairs Alternators Pty Ltd	Australia		100%	100%
PPK Firefly Pty Ltd	Australia		100%	100%
PPK Properties Pty Ltd	Australia		100%	100%
PPK Electrics Pty Ltd	Australia		100%	100%
York Group Limited	Australia		100%	100%
Rambor Pty Ltd	Australia		100%	100%
Rambor Manufacturing Pty Ltd	Australia		100%	100%
Rambor Logistics & Asset Management Pty Ltd	Australia		100%	100%
Exlec Holdings Pty Ltd	Australia		100%	100%
Coaltec Pty Ltd	Australia		100%	100%
PPK IP Pty Ltd	Australia		100%	100%
34.1	Willoughby NSW Holdings Pty Ltd (formerly PPK Willoughby Holdings Pty Ltd) acts as the trustee company of the PPK Willoughby Funding Unit Trust. The Group holds 22.86% of issued units of this trust which is considered an associate of the Group.			
34.2	Willoughby NSW Pty Ltd (formerly PPK Willoughby Pty Ltd) acts as the trustee company of the PPK Willoughby Purchaser Unit Trust. PPK Willoughby Funding Unit Trust holds 80% of issued units of this trust.			
34.3	PPK Plans Pty Ltd is the trustee for the PPK Long Term Incentive Plan.			
34.4	White Graphene Limited was incorporated on 24 August 2020.			
34.5	Strategic Alloys Pty Ltd was incorporated on 12 October 2020.			
34.6	PPK Prop Co 1 Pty Ltd was incorporated on 25 June 2021.			
34.7	The Group considers that it is contracted to provide both funding and commercialising the development of the BNNT application projects each entity undertakes, it provides key management personnel, critical services, technology, supplies and raw materials thus it is responsible for affecting the outcomes and economic returns of the entity and accounts for these entities as a subsidiary (see Note 2.24).			

## NOTE 37 EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

### PPK

(1) PPK issued 237,500 shares to the Long Term Incentive Plan Trust Account for the two directors, an executive and senior managers of the Group whose Tranche 4 Performance Rights vested on 1 July 2021.

### (2) Accounting for BNNTTL as a Subsidiary

On 4 August 2021, the Shareholders' and directors of BNNTTL executed a Deed of Variation of Shareholders Agreement with BNNTTL pursuant to which a number of material changes were made, relevantly resulting in:

- Deakin having a single nominee on the board;
- AIC Investment Corporation being entitled to nominate two directors being Robin Levison and Mark Winfield;
- The directors appointed Glenn Molloy as Chairman;
- Ordinary Decisions of Shareholders will require a simple of votes cast by the Shareholders;
- Special Majority Decisions of the Board is 75%;

As a result of a share buyback on 2 June 2021 PPK now owns 51% of the share capital of BNNTTL but continued to equity account for it at year end as a joint venture due to the terms in the Shareholders Agreement at that date. As a result of executing the Deed of Variation of Shareholders Agreement resulting in the changes noted above, PPK now controls BNNTTL as of 4 August 2021 and accounts for it as a subsidiary.

The summarised financial information of BNNTTL is provided below. This information is based on amounts before inter-company before inter-company and consolidation eliminations - principally to adjust financial assets at fair value through profit and loss to their cost value and associated deferred tax liabilities.

# Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

## NOTE 37 EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD (continued)

### PPK (continued)

Summarised statement of financial position	2021 \$'000
<b>Assets</b>	
Cash and cash equivalents	8,672
Receivables and other current assets	1,746
Property, plant and equipment	2,798
Intangibles	2,780
Financial assets at FVTPL	28,700
<b>Total assets</b>	<b>44,696</b>
<b>Liabilities</b>	
Trade and other payables	643
Income tax payable	2,715
Deferred tax liability	7,400
<b>Total liabilities</b>	<b>10,758</b>
<b>Total identifiable net assets</b>	<b>33,938</b>
Attributable to:	
Non-controlling interest	16,630
<b>Net assets attributable to the Group</b>	<b>17,308</b>
<b>Summarised statement of profit or loss</b>	
Revenue from contracts with customers	-
Employee benefit expense	(70)
Administration expenses	(17)
Professional fees	(411)
Depreciation and amortisation expense	(58)
Realised gain (loss) on financial assets at FVTPL	8,500
Unrealised gain (loss) on financial assets at FVTPL	5,500
<b>Profit (loss) for the year before income tax (continuing operations)</b>	<b>13,444</b>
Income tax benefit (expense)	(3,199)
<b>Profit (loss) for the year after income tax (continuing operations)</b>	<b>10,245</b>

If BNNTTL had been acquired on 1 July 2021, revenue for the Group to 4 August 2021 would have been nil and PPK would have recognised a pre-tax loss from BNNTTL of \$0.284M.

BNNTTL will be consolidated from 4 August 2021. The acquisition accounting for the business combination is currently being determined, along with the fair value of acquired amounts, and will be disclosed in the 31 December 2021 half year financial statements.

### (3) Acquisition of a Therapeutic Goods Administration Approved Mask Manufacturing Business

In August 2021, PPK acquired a Therapeutic Goods Administration approved mask manufacturing business and the associated assets to manufacture N95/R2 (everyday use) and 3 ply surgical (molded to a face) masks as a going concern with current capacity to manufacture approximately 5M masks per month operating a single shift per day. The business and assets were acquired for \$1.500M and the land and building, which is leased to the business, has been acquired separately for \$4.279M. The Group paid cash for the business, associated assets, land and building.

(4) On 27 August 2021, the Group drew down \$2.650M from its finance facility.



# Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

## NOTE 37 EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD (continued)

### Li-S Energy

Li-S Energy has entered into a number of new operational agreements subsequent to the end of the financial year.

#### (1) Supply Agreement with BNNTTL

On 9 July 2021, Li-S Energy and BNNTTL entered into a supply agreement for the supply of BNNTs to Li-S Energy for the purposes of using BNNTs in Li-S Energy's development, testing and manufacture of the Li-S Energy batteries. The key material terms of the supply agreement are as follows:

<b>Term:</b>	The contract commenced on 9 July 2021 for an initial term of 5 years and automatically renews for further 2 year terms unless Li-S Energy elects not to renew the agreement by giving at least 3 months' notice prior to the expiry of the latest term.
<b>Termination:</b>	Either party may terminate the agreement immediately if the other party commits a material breach that is unable to be rectified or where able to be rectified, fails to do so within a cure period, or the other party is insolvent or similar.
<b>Product supplied:</b>	BNNTs with a purity of at least 95% or any other specifications agreed from time to time. The minimum Purchase Order quantity is 10gm.
<b>Permitted Purpose:</b>	Li-S Energy may only order BNNTs from BNNTTL to use BNNTs in the Customer's development, testing and manufacture of batteries (including to stockpile BNNTs for later use in accordance with forecasts) and any other purpose agreed between the parties in writing.
<b>Other terms:</b>	The remainder of the agreement is on the usual commercial terms for a contract of this nature.

#### (2) Distribution Agreement with BNNTTL

On 9 July 2021, Li-S Energy and BNNTTL have entered into a distribution agreement pursuant to which Li-S Energy is appointed as distributor for BNNT products within the battery industry, with certain exclusive distribution rights. The key material terms of the distribution agreement are as follows:

<b>Term:</b>	The contract commenced on 9 July 2021 for an initial term of 5 years and automatically renews for further 2 year terms unless Li-S Energy elects not to renew the agreement by giving at least 3 months' notice prior to the expiry of the latest term.
<b>Termination:</b>	Either party may terminate the agreement immediately if the other party commits a material breach that is unable to be rectified or where able to be rectified, fails to do so within a cure period, or the other party is insolvent or similar.
<b>Product used for distribution:</b>	BNNTs with a purity of at least 95% or any other specifications agreed from time to time. The minimum Purchase Order quantity is 10gm.
<b>Permitted Purpose:</b>	<p>Li-S Energy may only buy BNNTs from BNNTTL for the following Permitted Purposes (including to stockpile BNNTs for later use in accordance with forecasts) and any other purpose agreed between the parties in writing:</p> <p>(f) to distribute on an exclusive basis BNNTs to third party customers (<b>Customers</b>), provided the Customers are only permitted to use BNNTs to:</p> <ol style="list-style-type: none"> <li>develop, test or manufacture lithium-sulphur batteries; and</li> <li>manufacture Li-S Energy's propriety nanomesh products incorporating BNNTs (including Li-Nanomesh); and</li> </ol> <p>(g) to distribute on a non-exclusive basis BNNTs to Customers, provided the Customers are only permitted to use BNNTs to develop, test or manufacture batteries that are not lithium-sulphur batteries.</p> <p>For clarity, Li-S Energy is not restricted from distributing Li-S Energy's Li-Nanomesh (or other nanomesh products), or BNNTs to Li-S Energy's customers who have a licence from Li-S Energy to manufacture Li-Nanomesh (or other nanomesh products).</p>

# Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

## NOTE 37 EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD (continued)

### Li-S Energy (continued)

<b>Territory:</b>	Worldwide
<b>Nature of Appointment:</b>	<p>Distributor in the Territory for the Permitted Purpose during the Term.</p> <p>Exclusive distributor for the Permitted Purposes relating to the distribution in respect of lithium-sulphur batteries, for the first seven years of the agreement.</p> <p>Li-S Energy's 'exclusivity' in respect of distributing Li-Nanomesh and BNNTs for manufacture of Li-Nanomesh is by virtue of Li-S Energy owning the IP required to manufacture Li-Nanomesh.</p>
<b>Other terms:</b>	The remainder of the agreement is on the usual commercial terms for a contract of this nature.

### (3) Management Services Agreement with PPK Aust

On 9 July 2021, Li-S Energy and PPK Aust have entered into a management services agreement pursuant to which PPK Aust will provide to Li-S Energy administrative support services. The key material terms of the management services agreement are as follows:

<b>Term:</b>	The contract commenced on 1 May 2021 for an initial term of 3 years and can be renewed by PPK Aust for a further 3 year term upon notice being provided by PPK Aust not later than 3 months prior to the expiry of the initial term.
<b>Termination:</b>	<p>Either party may terminate the agreement on 30 days' notice if the other party commits a material breach that is unable to be rectified or where able to be rectified, fails to do so within a cure period, or the other party is insolvent or similar.</p> <p>PPK Aust may terminate the agreement on 30 days' notice if it is not satisfied with the Annual Plan of Li-S Energy.</p> <p>Li-S Energy may terminate the agreement at will on 6 months' notice.</p>
<b>Appointment:</b>	<p>PPK Aust is appointed to provide management services to Li-S Energy which will see PPK Aust assist Li-S Energy with its administrative functions such as accounting, record keeping, reporting, assisting with insurance and recruitment. PPK Aust will also provide staff to act in key officer roles including the public officer, chief financial officer and company secretary.</p> <p>It is also appointed, to the extent permitted by law, facilitate/oversee the funding and capital raising requirements of the company (note this does not include acting as an advisor).</p>
<b>Fees:</b>	<p>PPK Aust will be paid a fee for providing the management services which will be \$150,000 for the initial three months from 1 May 2021 to 31 July 2021. This fee, together with the scope and performance of the management services, will be subject to review between the parties every 3 months (this allows for resetting of the fee in the event that Li-S Energy experiences business changes that require PPK Aust to provide additional (or reduce) resources to effectively provide the services).</p> <p>PPK Aust will be paid a funding fee of up to 1% of any debt or capital raised that it facilitates.</p> <p>PPK Aust will be entitled to recover any disbursements or expenses it incurs on behalf of Li-S Energy or in providing the services.</p>
<b>Indemnity:</b>	Li-S Energy indemnifies PPK Aust for any loss that arises from the performance by PPK Aust of its obligations under the agreement.
<b>Other terms:</b>	The remainder of the agreement is on the usual commercial terms for a contract of this nature.

# Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

## NOTE 37 EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD (continued)

### Li-S Energy (continued)

#### (4) Research Framework Agreement with Deakin

On 8 July 2021, Li-S Energy and Deakin have entered into a research framework agreement which governs all research projects conducted between Li-S Energy and Deakin as set out in Project Schedules made under the agreement. The key material terms of the research framework agreement are as follows:

<b>Term:</b>	The contract commenced on 8 July 2021 and continues until terminated.
<b>Termination:</b>	Either party may terminate the agreement and any Project Schedule immediately if the other party commits a material breach that is unable to be rectified or where able to be rectified, fails to do so within a cure period, or the other party is insolvent or similar.
<b>Project Schedules:</b>	The parties may from time to time enter into Project Schedules made under the agreement for research projects proposed and negotiated by the parties. Such Project Schedules include terms around payment, steering committees, specified personnel of the parties and insurances required.
<b>Intellectual Property:</b>	<p>Each party will retain ownership of their respective intellectual property developed prior to the date a Project commences or is acquired or developed independent of the agreement, but grants a non-transferrable licence to the other party to use such background intellectual property for the purposes of the relevant Project.</p> <p>Any new intellectual property created, developed or discovered in the conduct of a Project vests in Li-S Energy (Project IP). Deakin is granted a non-exclusive, perpetual, non-transferable, royalty free licence to use the Project IP for the purposes of the Project and for non-commercial research, teaching and scholarly pursuits.</p> <p>Deakin must also seek Li-S Energy's prior consent before it publishes any part of the Project IP as part of any publication.</p>

#### (5) Termination of Shareholders Agreement

On 20 July 2021, PPK Aust., Deakin and BNNTTL executed a Deed of Termination of the Shareholders Agreement with Li-S Energy effective on the date of signing.

#### (6) Employment Contracts

On 9 July 2021, Li-S Energy has entered into an employment contract with Dr Lee Finniear for his engagement as CEO which contains standard terms and conditions for agreements of this nature, including confidentiality, restraint on competition and retention of intellectual property provisions. The key terms of the employment contract are as follows:

<b>Total Remuneration Package:</b>	<p>\$300,000 annual salary (including superannuation).</p> <p>In addition to his annual salary, Dr Lee Finniear has been granted, and has elected to be issued, 1,000,000 Service Rights vesting over a four year term in accordance with the Executive Rights Plan.</p> <p>Dr Lee Finniear is also eligible to participate in the Company's short term incentive plan for the 2022 Financial Year up to \$100,000.</p>
<b>Term:</b>	The contract commenced on 1 July 2021 and continues until terminated.
<b>Termination by CEO:</b>	6 months' notice.
<b>Termination by Li-S Energy:</b>	6 months' notice or immediately due to serious misconduct or any reason entitling the Li-S Energy to summarily dismiss Dr Lee Finniear at common law.
<b>Non-competition and non-solicitation:</b>	<p>To protect the interests of Li-S Energy and its intellectual property, Dr Lee Finniear will not, directly or indirectly, in any capacity whatsoever, during the term and for 12 months after the termination of the contract,</p> <p>(e) be engaged, concerned or interest in any other business or occupation that is or may be in competition with the business carried on by Li-S Energy in Australia;</p> <p>(f) induce or encourage a client or customer of Li-S Energy to cease doing business with or reduce the amount of business it would otherwise do with Li-S Energy;</p> <p>(g) induce or solicit any officer or employee of Li-S Energy to leave that office or employment; or</p> <p>(h) procure or assist someone else to do or attempt to do anything contemplated by way of non-competition or non-solicitation.</p>

# Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

## NOTE 37 EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD (continued)

### Li-S Energy (continued)

As a result of the Dr Lee Finniear entering into an employment contract, the previous consulting agreement with his consultancy company was terminated as at 30 June 2021. Consulting fees paid to or owing to his consultancy company to 30 June 2021 were \$171,700.

On 1 July 2021, Li-S Energy has entered into an employment contract with Dr Steve Rowlands for his engagement as CTO which contains standard terms and conditions for agreements of this nature, including confidentiality, restraint on competition and retention of intellectual property provisions. The key terms of the employment contract are as follows:

<b>Total Remuneration Package:</b>	<p>\$176,000 annual salary (including superannuation).</p> <p>Dr Steve Rowlands is eligible to participate in the Company's short term incentive plan for the 2022 Financial Year up to \$16,000, and the Company's Executive Rights Plan on terms to be confirmed.</p> <p>The Company will also reimburse Dr Steve Rowlands for all reasonable relocation costs from the UK, including an annual economy return flight to the UK.</p>
<b>Term:</b>	The contract commenced on 1 July 2021 (with a three month probation period) and continues until terminated.
<b>Termination by CTO:</b>	<p>2 months' notice during the probation period.</p> <p>6 months' notice.</p>
<b>Termination by Li-S Energy:</b>	<p>2 months' notice during the probation period.</p> <p>6 months' notice or immediately due to serious misconduct or any reason entitling the Li-S Energy to summarily dismiss Dr Steve Rowlands at common law.</p>
<b>Non-competition and non-solicitation:</b>	<p>To protect the interests of Li-S Energy and its intellectual property, Dr Steve Rowlands will not, directly or indirectly, in any capacity whatsoever, during the term and for 12 months after the termination of the contract,</p> <ul style="list-style-type: none"> <li>(e) be engaged, concerned or interest in any other business or occupation that is or may be in competition with the business carried on by Li-S Energy in Australia;</li> <li>(f) induce or encourage a client or customer of Li-S Energy to cease doing business with or reduce the amount of business it would otherwise do with Li-S Energy;</li> <li>(g) induce or solicit any officer or employee of Li-S Energy to leave that office or employment; or</li> <li>(h) procure or assist someone else to do or attempt to do anything contemplated by way of non-competition or non-solicitation.</li> </ul>

### (7) Consulting Agreements

On 16 July 2021, a consulting agreement between Li-S Energy and Glenn Molloy's consultancy company, Corso Management Services Pty Ltd. The key terms of the consultancy agreement are as follows:

<b>Designated Person:</b>	While the contract is between Li-S Energy and Glenn Molloy's consultancy company, the agreement requires that the services to be provided by Glenn Molloy unless otherwise agreed in writing by Li-S Energy and for Glenn Molloy to remain an employee of the consultancy company.
<b>Entitlements:</b>	A daily rate to be agreed between the parties. Mr Molloy is not paid any fees in respect of travel time to and from the locations where work is performed.
<b>Term:</b>	The contract commenced on 12 June 2021 and is for a period of 24 months unless terminated earlier by Li-S Energy as permitted under the agreement.

# Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

## NOTE 37 EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD (continued)

### Li-S Energy (continued)

Termination:	<p>Subject to annual renewal by written agreement, the contract terminates on 12 June 2023 or Li-S Energy can immediately terminate the agreement if Mr Molloy:</p> <ul style="list-style-type: none"> <li>(g) commits any act involving fraud, deceit, dishonesty or other serious misconduct (whether in relation to Li-S Energy or otherwise);</li> <li>(h) becomes bankrupt or commits any act of bankruptcy;</li> <li>(i) is charged with any serious criminal offence;</li> <li>(j) refuses or fails to comply with any lawful request made by Li-S Energy or any of its Directors;</li> <li>(k) is unable to properly perform the essential elements of the Chief Commercial Actions Officer role whether as a result of illness, accident or otherwise; or</li> <li>(l) is in breach of any obligations under the contract and fails to rectify the breach within 5 business days after being requested to do by Li-S Energy.</li> </ul> <p>Either party may terminate on 3 months' notice.</p>
Non-competition and non-solicitation:	<p>To protect the interests of Li-S Energy and its intellectual property, Mr Molloy will not, directly or indirectly, in any capacity whatsoever, during the term and for 12 months after the termination of the contract,</p> <ul style="list-style-type: none"> <li>(e) be engaged, concerned or interest in any other business or occupation that is or may be in competition with the business carried on by Li-S Energy;</li> <li>(f) induce or encourage a client or customer of Li-S Energy to cease doing business with or reduce the amount of business it would otherwise do with Li-S Energy;</li> <li>(g) induce or solicit any officer or employee of Li-S Energy to leave that office or employment; or</li> <li>(h) procure or assist someone else to do or attempt to do anything contemplated by way of non-competition or non-solicitation.</li> </ul> <p>This restraint will not prevent Mr Molloy from performing his roles or holding his interest in PPK Group Limited entities or entities it holds an interest in.</p>

On 7 July 2021, a consulting agreement between Li-S Energy and Andrew Cooke's consultancy company, AJC Corporate Services Pty Ltd was entered into. The agreement is made on standard commercial terms for services for the provision of company secretarial services.

### (8) Australian Research Council Industrial Transformation Research Hub

Deakin University has been awarded grant funding by the Australian Research Council (ARC) to establish and operate the ARC Industrial Transformation Research Hub in new safe reliable energy storage and conversion technologies. Under the grant agreement Deakin University must enter into a participant's agreement with each participating organisation before the research program can start.

On 11 May 2021, Li-S Energy signed the participant's agreement and the contract commences when all parties have executed their agreement. As at 30 June 2021, the other participants had not yet signed the agreement.

<b>Commitment:</b>	Cash contributions of \$150,000 per year for five years totalling \$750,000 and in-kind contributions of \$50,000 per year for five years totalling \$250,000.
<b>Term:</b>	The contract is for a period of 5 years unless terminated earlier by ARC as permitted under the agreement.
<b>Termination:</b>	The contract terminates on the fifth anniversary of the commencement date of the agreement or the date of which the final report is submitted to the ARC, whichever is later. Deakin University may terminate this agreement if the grant agreement with ARC is terminated for any reason or if the ARC suspends or reduces the scope of the research program or grant funding. Alternatively the agreement may be terminated if the participating organisations agree there is no longer a valid reason for continuing with the research program.

# Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

## NOTE 37 EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD (continued)

### White Graphene

On 30 June 2021, Deakin amended the payment terms of its research and development agreement with WGL. The first instalment of \$503,000, of the total agreement costs of \$1,443,000, due on 1 July 2021 has been paid and the remaining terms and conditions of the research and development agreement have not changed.

### Lodgement of IPO Prospectus and Proposed Capital Raising

On 29 July 2021, Li-S Energy lodged a prospectus to raise \$34,000,000, issue 40,000,000 ordinary shares and list on the ASX. As a result of this prospectus, the number of ordinary shares potentially outstanding is as follows:

	Number of Ordinary Shares
Outstanding and issued at 30 June 2021	600,200,230
Issued as a result of capital raising in the prospectus	40,000,000
Total outstanding and issued at the completion of the prospectus	640,200,230
Potentially issuable ordinary shares under the Service Rights as detailed in the Remuneration Report disclosed in the Directors' Report <sup>1</sup>	3,160,000
Issued and potentially issuable ordinary shares at the date of the prospectus	643,360,230

<sup>1</sup> Assuming all Service Rights vest and are converted to ordinary Shares.

### Impact of COVID-19

Events relating to COVID-19 have resulted in significant economic volatility. There is continued uncertainty as to the ongoing and future response of governments and authorities globally, and a further Australian economic downturn is possible. As such, the full impact of COVID-19 to consumer behavior, employees and the Group are not fully known. Given this, the impact of COVID-19 could potentially be materially adverse to the Group's financial and/or operational performance. Further, any government or industry measures may materially adversely affect the Group's operations and are likely beyond the Group's control.

Due to COVID-19, the State and Federal Governments have imposed social-distancing restrictions which have, and may, disrupt the operations of the Group. The Group's main operations are at Deakin University's campus located at Geelong, Victoria. To slow the spread of COVID-19 in Victoria, the Victorian government has imposed restrictions from time-to-time. Deakin University, who is contracted to provide the research and development for the Group, has had its own restrictions with access to campus by staff, students and visitors restricted to help maintain health and safety protocols, with staff and visitor access reviewed case-by-case. As a result, limits have been placed on the number of staff and contractors permitted in the workspace at one time. It is unknown whether stricter restrictions will be imposed and what the impact of these would be on the operations of the Group.

Due to COVID-19, the manufacture of equipment and parts and the supply of raw materials in foreign markets may be restricted or delayed which could impact on the Group's operations.

There have been no other matter or circumstance that has arisen since the end of the financial period which is not otherwise dealt with in this report or in the financial statements that has significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

## Directors' Declaration

for the year ended 30 June 2021

1. In the opinion of the Directors of PPK Group Limited;
  - a) The consolidated financial statements and notes of PPK Group Limited are in accordance with the *Corporations Act 2001*, including
    - (i) Giving a true and fair view of its financial position as at 30 June 2021 and of its performance for the financial year ended on that date; and
    - (ii) Complying with Australia Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
  - b) There are reasonable grounds to believe that PPK Group Limited will be able to pay its debts as and when they become due and payable.
2. The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2021.
3. Note 2 confirms that the consolidation financial statements also comply with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors:



**Robin Levison**  
Executive Chairman



**Glenn Molloy**  
Executive Director

Dated this 31<sup>st</sup> day of August 2021



# Independent Auditor's Report



**Building a better  
working world**

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## Independent Auditor's Report to the Members of PPK Group Limited

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of PPK Group Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2021 and of its consolidated financial performance for the year ended on that date; and
- b) complying with Australian Accounting Standards 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 Group 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

# Independent Auditor's Report



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## Revenue

### Why significant

Revenue is a key item in the Statement of Profit or Loss and Other Comprehensive Income and consequentially we consider this a key audit matter.

The Group earns revenue from different business streams, with each stream having differing revenue recognition points under the Group's revenue recognition policies (Note 2.8) and Australian Accounting Standards. Amounts recorded as revenue but unbilled at 30 June are recorded as contract assets. These amounts are disclosed in Note 13 and 16.

### How our audit addressed the key audit matter

Our audit procedures included the following:

- Documenting the design of the key revenue systems and processes.
- Evaluating the Group's revenue recognition accounting policies, including the assessed point of revenue recognition, for its different business streams, for compliance with Australian Accounting Standards.
- Testing a sample of revenue transactions to assess whether the point of revenue recognition and amount of revenue recognised was consistent with the Group's accounting policies and Australia Accounting Standards.
- Performing analytical review over recognised revenue.
- Testing, on a sample basis, the cut off of revenue recognised as at 30 June 2021 to source documentation evidencing the satisfaction of the relevant performance obligations and testing the measurement of the associated contract assets recorded at 30 June 2021.
- Assessing the adequacy of the related disclosures within the financial statements.

## Impairment Testing of Intangible Assets and Property Plant and Equipment

### Why significant

At 30 June 2021, the Group's:

- Continuing operations recorded \$1,622,000, \$530,000 and \$nil of intangible assets, property, plant and equipment and right of use assets respectively;
- Discontinued operations recorded \$3,452,000, \$4,294,394 and \$2,068,606 intangible assets, property, plant and equipment and right of use assets respectively; and
- Assets not yet in service comprised \$3,305,000 of intangible assets (as disclosed in Note 13).

### How our audit addressed the key audit matter

Our audit procedures included the following:

- Evaluating the Group's assessment of its CGUs for consistency with the requirements of Australian Accounting Standards.
- Evaluating the completeness of the Group's assessment of impairment indicators for intangible assets in development and each CGU.
- Assessing management's commercial basis for the development and commercialisation of products in process development.
- Assessing the key assumptions within the impairment assessment of each asset and CGU including the commercial prospects, growth rate and discount rate.

# Independent Auditor's Report



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## Why significant

As required by Australian Accounting Standards, the Group performs an annual assessment for indicators of impairment. Where indicators of impairment are present for an individual development asset, the recoverable amount of the asset is assessed and compared to its carrying value. An assessment is also made of indicators of impairment for each of the Group's Cash Generating Unit (CGU).

For discontinued operations, the carrying amount of the disposal group, is assessed to test whether the fair value less cost to sell of the assets exceeds its carrying amount.

Significant assumptions used in the impairment testing referred to above are inherently subjective and in times of economic uncertainty the degree of subjectivity is higher than it might otherwise be. Based on the size of the assets and the judgement involved identifying impairment indicators and determining the recoverable amount, we have considered this a key audit matter.

## How our audit addressed the key audit matter

- Applying our knowledge of the business and corroborating our work with external information where possible.
- Assessing the adequacy of the disclosures included in Note 24 to the financial report.

Where assets are held as part of a disposal group we assessed management's determination of fair value less cost to sell by:

- Assessing the key assumptions within the fair value assessment of the disposal group including the commercial prospects, growth rate and discount rate.
- Applying our knowledge of the business and corroborating our work with external information where possible, including expert reports obtained by the Group.

## Recoverable Value of Inventory

### Why significant

At 30 June 2021, the Group recorded inventory of \$11,427,000 (as disclosed in Note 13) and relates to the Group's disposal group held for sale.

The Group is required to carry its inventory at the lower of cost or net realizable value in accordance with Australian Accounting Standards.

The Group's accounting policy is disclosed in Note 13.

The following factors add complexity or increase the likelihood of errors in the determination of the carrying amount of inventory:

### How our audit addressed the key audit matter

Our procedures included the following:

- Assessing the Group's inventory valuation methodology with the requirements of Australian Accounting Standards.
- Recalculating for a sample of inventory items the cost and net realisable value of inventories items.
- Testing the mathematical accuracy of the inventory valuation model.
- Comparing the data underlying the model to the accounting system or other sources.
- Assessing whether the recorded cost, after factoring in valuation adjustments, was at the lower of cost and net realisable value.
- Assessing the adequacy of the related disclosures within the financial statements.

# Independent Auditor's Report



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## Why significant

- large inventory holdings and slower inventory turnover indicate that there may be obsolete stock on hand; and
- methods of estimating inventory provisions involve significant management judgment, including predictions about market conditions and future sales.

This area is a key audit matter due to the significance of inventory to the Statement of Financial Position, and the significant level of estimation involved in applying the lower of cost and net realisable value measurement methodology.

## How our audit addressed the key audit matter

### Accounting for Non-controlled Investments

## Why significant

The Group holds a number of significant non-controlled investments in its portfolio. The investments (which are individually significant) are recorded as non-current assets and are accounted for by the Group as follows:

Investee	Classification	Accounting Method	Note
BNNT Technology Limited	Joint Venture Entity	Equity method	20
Craig International Ballistics Pty Ltd	Associate Entity	Equity method	20
AMAG Holdings Australia Pty Ltd*	Associate Entity	Equity method	20
Zeta Energy LLC	Financial Asset at Fair Value Through Profit and Loss	Fair Value Through Profit and Loss	21
Listed Investments*	Financial Asset at Fair Value Through Profit and Loss	Fair Value Through Profit and Loss	21

\* Acquired during the year ended 30 June 2021.

## How our audit addressed the key audit matter

### All Investments

Our procedures included the following:

- Reviewing investment and shareholder documents and correspondence in relation to each investment.
- Challenging the Group's assessment as to the method of accounting for each investment for compliance with Australian Accounting Standards.
- Testing the Group's interest in each investee entity.
- Testing management's impairment assessment of the investment by considering forecasts of forward earnings, commercial activities and discount rates or recent arm's length capital raisings.
- Assessing the adequacy of the related disclosures within the financial statements.

*BNNT Technology Limited ("BMNT"), Craig International Ballistics Pty Ltd ("CIB") and AMAG Holdings Australia Pty Ltd ("AMAG").*

Our procedures included the following:

- Evaluating the Group's accounting for the initial investment in AMAG for consistency with Australian Accounting Standards.

# Independent Auditor's Report



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## Why significant

The accounting policies applied in recognising and measuring the Group's investments are disclosed in Notes 2.3, 2.5, 2.6 and 2.16 of the Group's financial report.

This area is a key audit matter due to the significance of the investments to the Statement of Financial Position, and the judgement involved in assessing whether control, joint control, significant influence or no influence exists. Subjectivity also exists in assessing the value of investments recorded at fair value.

Ernst & Young is the appointed auditor of BNNT Technology Limited and Craig International Ballistics Pty Ltd only.

## How our audit addressed the key audit matter

- Determined the scope of audit work required to be undertaken on the results and position of BNNT, CIB and AMAG for the purposes of the audit of the Group.
- Assessing the accounting policies of BNNT, CIB and AMAG for consistency with the Group's policies.
- Evaluating the Group's share of net gains and the equity method investment movement for the year ended 30 June 2021.
- Assessing the carrying amount of the Group's equity method investment at 30 June 2021.

### *Zeta Energy LLC*

Our procedures included the following:

- Recalculating the fair value of the Group's investment at 30 June 2021 using current share valuations, supported by recent capital raising transactions and converting the US dollar denominated investment value to Australian dollars at 30 June 2021.

### *Listed Investments*

Our procedures included the following:

- Recalculating the fair value of the Group's investment at 30 June 2021 using last trade price information from the Australian Securities Exchange.
- Verifying the holding at 30 June 2021.

## Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's 2021 Annual Report but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

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.

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# Independent Auditor's Report



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PPK Group Limited  
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## 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 in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the 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 Group'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 Group 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.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

# Independent Auditor's Report



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- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on the Audit of the Remuneration Report

### Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of PPK Group Limited for the year ended 30 June 2021, complies with section 300A of the *Corporations Act 2001*.

### Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst & Young

Brad Tozer  
Partner  
Brisbane  
31 August 2021

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# Shareholder Information

as at 26 August 2021

- (a) Number of PPK shareholders: 4,515
- (b) Total shares issued: 89,289,293
- (c) Percentage of total holdings by or on behalf of the 20 largest shareholders: 62.97%
- (d) Distribution schedule of holdings

Holdings Ranges	Holders	Total Units	Total % Held
1 - 1,000	2,337	871,263	0.98
1,001 - 5,000	1,294	3,129,729	3.51
5,001 - 10,000	349	2,624,643	2.94
10,001 - 100,000	361	10,662,396	11.94
100,001 and over	79	72,001,262	80.63
Less than a marketable parcel	95	567	
<b>Total</b>	<b>4,515</b>	<b>89,289,293</b>	<b>100.00</b>

- (e) Voting rights: Every member present personally or by proxy or attorney etc, shall, on a show of hands, have one vote and on a poll shall have one vote for every share held.

- (f) Top 20 Holders of Ordinary Fully Paid Shares

Name	Shares	%
1. WAVET FUND NO 2 PTY LTD <WAVET SUPER FUND NO 2 A/C>	14,011,998	15.69
2. EQUIPMENT COMPANY OF AUSTRALIA PTY LTD	7,674,866	8.60
3. BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	4,205,251	4.71
4. COMARCO PTY LTD <WINFIELD FAMILY A/C>	3,891,392	4.36
5. SMN HOLDINGS PTY LTD	3,230,000	3.62
6. MCNAMARA SUPER GROUP PTY LTD <MCNAMARA SUPER FUND A/C>	2,775,919	3.11
7. CONTEMPLATOR PTY LTD <ARG PENSION FUND A/C>	2,757,000	3.09
8. CITICORP NOMINEES PTY LIMITED	2,620,309	2.93
9. IGNITION CAPITAL PTY LTD <THE IGNITION A/C>	2,386,788	2.67
10. UBS NOMINEES PTY LTD	2,278,364	2.55
11. NN CAPITAL PTY LTD	1,980,000	2.22
12. IGNITION CAPITAL NO 2 PTY LTD <IGNITION SUPER FUND A/C>	1,527,692	1.71
13. JOHN E GILL OPERATIONS PTY LIMITED <JOHN E GILL NO 2 A/C>	1,102,221	1.23
14. BRISPOT NOMINEES PTY LTD <HOUSE HEAD NOMINEE A/C>	1,074,385	1.20
15. MR LESLIE JOHN FIELD + MRS EVE FIELD	1,007,584	1.13
16. SASH INVESTMENT GROUP PTY LTD <SAMANTHA MOLLOY FAMILY A/C>	968,500	1.08
17. MINOAN CORPORATION LIMITED	900,000	1.01
19. CS FOURTH NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 11 A/C>	626,390	0.70
20. HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	607,874	0.68
20. MR FRANCESCO MARIO NAPOLI	597,181	0.67
<b>Top 20 holders of Ordinary Fully Paid Total</b>	<b>56,223,714</b>	<b>62.97</b>
<b>Total Remaining Holders Balance</b>	<b>33,065,579</b>	<b>37.03</b>

## Shareholder Information

as at 26 August 2021

### (G) Substantial Holders

Holder	Shares to Which Entitled	% of Issued Capital
Wavet Holdings Pty Ltd and Associates	14,619,645	16.34
Equipment Company of Australia Pty Ltd	9,749,399	11.35
Ignition Capital Pty Ltd and Associates	4,100,153	4.59
Comarco Pty Ltd	3,891,392	4.36
SMN Holdings Pty Ltd	3,230,000	3.62

(h) During the year ended 30 June 2021 - nil shares were purchased on-market for the purposes of an employee incentive scheme.

(i) The Company's Corporate Governance Statement can be found at:  
<http://www.ppkgroup.com.au/irm/content/corporate-governance.aspx?RID=305>

## Corporate Directory

A public company incorporated in New South Wales and listed on the Australian Securities Exchange (ASX Code: PPK)

### Directors

Robin Levison	(Executive Chairman)
Glenn Robert Molloy	(Executive Director)
Dale William McNamara	(Executive Director)
Anthony John McDonald	(Non-Executive Director)

### Company Secretary

Will Shiel

### Registered Office and Principal Place of Business

#### PPK Group Limited

Level 27, 10 Eagle Street  
Brisbane QLD 4000 Australia

Telephone: +61 7 3054 4500  
Email: [info@ppkgroup.com.au](mailto:info@ppkgroup.com.au)  
Web Site: [www.ppkgroup.com.au](http://www.ppkgroup.com.au)

### Share Register

#### Computershare Investor Services Pty Ltd

Level 3  
60 Carrington Street  
Sydney NSW 2000 Australia

Telephone: 1300 556 161  
Fax: +61 2 8235 8150

International  
Telephone: +61 2 8234 5000  
Fax: +61 2 8235 8150

[www.investorcentre.com/contact](http://www.investorcentre.com/contact)

### Solicitors

#### Mills Oakley

Level 14, 145 Ann Street  
Brisbane QLD 4000 Australia

### Bankers

#### Commonwealth Bank of Australia Limited

#### National Australia Bank Limited

### Auditors

#### Ernst & Young

111 Eagle Street  
Brisbane QLD 4000 Australia

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