



ASX ANNOUNCEMENT

FOR IMMEDIATE RELEASE TO THE MARKET

PPK Group Limited – ASX Code: PPK

Wednesday 17 February 2021

Appendix 4D – Financial Report Half Year Ended 31 December 2020

Please find attached our Appendix 4D and Financial Report for the Half Year Ended 31 December 2020.

Authorised by the Board. For further information contact:

Robin Levison

Executive Chairman of PPK Group Limited
On 07 3054 4500

PPK GROUP LIMITED

ABN: 65 003 964 181

Level 27, 10 Eagle St, Brisbane QLD 4000
GPO Box 754, Brisbane Qld 4001
Tel: +61 7 3054 4500 Fax: +61 7 3054 4599

APPENDIX 4D

PPK Group Limited
ABN 65003964181
Half Year Report for the
half-year ended 31 December 2020

This information is provided to the Australian Securities Exchange (ASX) under ASX Listing Rule 4.2A and should be read in conjunction with the most recent annual report.

Contents to financial report

Highlights of results for announcement to the market	1
Executive Chairman's report	2
Directors' report	4
Auditor independence declaration	5
Interim condensed consolidated statement of profit or loss	6
Interim condensed consolidated statement of comprehensive income	7
Interim condensed consolidated statement of financial position	8
Interim condensed consolidated statement of cash flows	9
Interim condensed consolidated statement of changes in equity	10
Notes to the interim condensed consolidated financial statements	11-19
Directors' declaration	20
Independent Auditor's review report	21

Highlights of results for announcement to the market

	31 December 2020 \$000	31 December 2019 \$000	Change \$000	Change %
Total revenues from continuing operations	17,890	22,053	(4,163)	-19%
Profit/(loss) from continuing operations before tax expense	(2,035)	(50)	(1,985)	3970%
Profit/(loss) from continuing operations before tax attributable to owners of PPK Group Limited	(1,838)	(50)	(1,788)	3576%
Profit/(loss) after tax attributable to owners of PPK Group Limited	(1,838)	(229)	(1,609)	702%
Earnings per share	cents (2.4)	cents (0.3)	cents (2.1)	700%
Net tangible assets per share	cents 68.1	cents 39.8	cents 28.3	71%

DIVIDENDS

	Amount per share	Franked amount per share
2020 Special	2.5 cent	2.5 cent
2020 Final - ordinary	1.0 cent	1.0 cent
2020 Interim – ordinary	1.0 cent	1.0 cent
2019 Final - ordinary	1.0 cent	1.0 cent
2019 Interim - ordinary	1.0 cent	1.0 cent

Executive Chairman's report

In my Executive Chairman's Report for 30 June 2020, I informed shareholders that PPK has been repositioned as a technology commercialisation business and the Board would review the strategic fit of the PPK Mining Equipment (PPKME) business in order to maximise value for all PPK shareholders.

The technology commercialisation business was initially built around three strategies for Boron Nitride Nanotubes (BNNT):

1. Manufacturing excellence to produce BNNT at 99% or greater purity and to continue to increase our manufacturing capabilities to achieve commercial quantities. BNNT Technology Limited (BNNTTL) has consistently achieved this high grade production of pure BNNT which has been independently verified by a leading Australian university as having the highest purity among commercial products in the world. I am pleased that BNNTTL sold 240 grams of BNNT in the period with further purchase commitments of 660 grams being received for the coming months.

While BNNTTL continues to enhance design innovation of its existing manufacturing processes to achieve continuous production, it is now manufacturing 15 kilograms per annum from a single eight hour shift per day. This is done with a four furnace module that costs less than \$0.700M to build and can be completed within three months with most materials and equipment available in Australia, thus minimising supply chain disruption.

2. Downstream opportunities to supply BNNT to select parties who specialise as the manufacturer of products into which BNNT can be blended or infused. BNNTTL continues to have discussions with international companies for large sale contracts but these companies continue to experience their own internal research, development and manufacture disruptions due to COVID-19 and we are unlikely to have an agreement of this nature until this is resolved.
3. Upstream opportunities where PPK can identify and partner with application or industry leaders to blend or infuse BNNT into their products to enhance or create new products. Since PPK's Annual General Meeting, we have announced three new BNNT application projects and these are discussed in more detail below.

PPK's technology commercialisation business has been expanded with the recent investment in AMAG Holdings Australia Pty Ltd (AMAG). This was the result of Australian universities approaching PPK to assist in commercialising new technologies and developing new partnerships. AMAG has been developed from a partnership between University of Queensland, University of British Columbia and Queensland University of Technology. AMAG is a Software-as-a-Service offering using artificial intelligence, video analytics, deep learning and advanced econometric technologies for managing road safety. It is already earning revenues from its SMART Digital Platform from government customers in the United States and Australia and is negotiating with various other cities in Canada and New Zealand.

I have joined the AMAG Board and, as I have said previously, I see this technology having a significant purpose to achieving road safety globally and PPK is very pleased to have been approached to partner with AMAG. I expect we will see PPK announcing further partnership opportunities with other Australian universities in the coming years to assist with commercialising new technologies such as that of AMAG.

BNNT APPLICATION PROJECTS UPDATE

Li-S Energy Limited (Li-S)

Li-S is the most advanced BNNT application project with a \$3.250M capital raise and 5.000M shares having been issued in July 2020 to sophisticated investors at \$0.65 per share thus valuing the company at \$36.400M. We are in the process of preparing for an Initial Public Offering (IPO) to seek listing on the Australian Securities Exchange in the coming months. As part of that preparation Li-S undertook a 10 for 1 share split. The number of shares on issue increased tenfold to 560 million, revaluing the shares from \$0.65 to \$0.065 per share (the notional value of Li-S remained at \$36.400M). The Li-S share split was an enabler to allow PPK to declare a \$0.025 special fully franked dividend in December 2020 and satisfy the dividend payment by the distribution of part of its shareholding in Li-S. This allows PPK Shareholders to hold shares in both PPK and Li-S and, for those Shareholders who may want to sell their Li-S shares prior to the IPO, we are in the process of arranging for a secondary market trading platform to enable that to occur.

PPK retains a 51.9% interest in Li-S and BNNTTL holds an additional 8.9% interest at 31 December 2020. The development of the Li-S battery has continued over the last six months and a review of the project shows testing is performing to expectation and on schedule.

The 3D Dental Technology and the Ballistic Glass application projects, which I mentioned in my 30 June 2020 Executive Chairman's Report are underway with Deakin University conducting research and I expect to have an update at 30 June 2021.

As I mentioned earlier, BNNTTL launched three new BNNT application projects and an update on these follows:

White Graphene Limited (WGL)

WGL has also undertaken a successful capital raise of \$2.800M with 7.000M shares being issued at \$0.40 per share in December 2020 thus valuing WGL at \$34.800M. The funds raised are to complete the research and development of white graphene and to build a prototype manufacturing plant located at the Deakin Manufactures innovation hub in Geelong, similar to that undertaken by BNNTTL. White Graphene has similar properties to BNNT and is seen as a complementary nano-product offering into a rapidly growing graphene international market.

Strategic Alloys Pty Ltd (Strategic Alloys)

Strategic Alloys is a venture with Amaero International Limited, an ASX listed company (ASX Code: 3DA) that specialises in the additive manufacturing of metals and alloys technology, to develop a super strength aluminium alloy using BNNT as a nano-reinforcement. The development of an aluminium alloy is in demand for Amaero's customers in the defence and aerospace industries who are seeking materials that are lighter, stronger and more durable. This is an exciting opportunity to partner with Amaero.

BNNT Precious Metals Limited (Precious Metals)

Precious Metals is a venture designed to test the infusion of BNNT as a nano-reinforcement into gold and silver so as to enable superior strength, hardness and durability of these metals for both industrial purposes and the jewellery market.

Craig International Ballistics (CIB)

PPK's investment in CIB has delivered its first dividend payment of \$0.362M representing a 7.24% return on the initial investment. Unfortunately, CIB has been affected by COVID-19 with a number of customer orders being deferred and the supply of materials for others being delayed. As a result, financial results for this period are lower than expected but we anticipate the revenue run rate to increase in the coming six months.

PPKME UPDATE

PPK has completed a broad review of PPKME and considered the following various options; a separate listing on an Australian stock exchange, co-venture or merger with another entity, a whole or partial disposal or to retain the mining business. While the Directors continue to explore options, they are investigating an Australian stock exchange listing for the following reasons:

- there are a number of comparative mining industry companies pursuing sale strategies;
- it is likely to be the most efficient and least expensive option;
- it may provide tax advantages for PPK shareholders and an opportunity to retain an interest in both PPK and PPKME.

Further work is being undertaken on this option and, if it is considered to be the best course of action, shareholder approval will be required.

FINANCIAL RESULTS

PPK Group incurred a net loss of \$1.838M (HY2019: net loss of \$0.229M) and an EBITDA profit of \$0.924M (HY2019: EBITDA profit of \$3.118M).

The technology companies are in early research phases. Accordingly some costs are being capitalised as intangible assets and those that do not meet the accounting definition (ie legal set up costs, audit accrual, etc) are being expensed, hence it is not unusual to report losses for these projects. The net losses from BNNTTL and CIB is \$0.119M and for the other BNNT technology application projects was \$0.208M.

The foreign exchange movement between the USD and the AUD for the Li-S investment in Zeta Energy LLC, (held by Li-S and consolidated into PPK) has resulted in an unrealised loss of \$0.278M. At 30 June 2020, the exchange rate was \$0.6863 whilst at 31 December 2020 it was \$0.7702.

PPKME has continued to be impacted by the disruption to the coal mining industry through COVID-19, China's trade actions against Australia and the resulting decrease in the price of coal. As a result, PPKME achieved an EBITDA profit of \$1.529M (HY2019: EBITDA profit of \$3.107M) and total revenues of \$17.890M (HY2019: \$22.053M), 19% lower than the previous comparative period.

PPK has continued to strengthen its balance sheet with current assets of \$32.239M (FY2020: \$24.663), inclusive of 100% owned subsidiaries, of which \$26.087M (FY 2020: \$10.292M) are highly liquid, net working capital of \$24.613M (FY 2020: 16.916M) predominantly due to our \$15.400M capital raise in November 2020.

The November 2020 capital raise demonstrates the continued support from shareholders, and an increased interest from institutional investors. This is also reflected in the successful capital raises PPK has initiated for Li-S Energy of \$3.250M in July 2020 and White Graphene of \$2.800M in December 2020.

OUTLOOK

We still continue to see disruption to the global markets in ways not foreseen and, as a result, your Board has elected not to give revenue or profit guidance for the 2021 Financial Year.

BNNTTL will continue to work towards developing a continuous manufacturing process and in the interim, expand its manufacturing facilities to meet future demand, as required. As BNNT application projects come online, the production of BNNT will be available to meet their needs. We will continue to market BNNT to downstream parties and, if and when a large sale contract is completed, BNNTTL should be in a position to deliver healthy profits to its shareholders.

Deakin University will continue to provide ongoing research and development for the BNNT application projects and we expect to see some positive results in the next six months, leading to commercialisation of new products, starting with Li-S. We would also expect to see new BNNT application projects commencing and discussions continue to occur with third parties to achieve this result.

As noted earlier, CIB is expecting to complete a number of contracts that were deferred in this period and is looking forward to a strong second half.

PPKME is seeing a turnaround in the coal pricing cycle with price increases occurring and major customers expecting further increases in the next six months. This should result in increased production activity by the mining companies which should flow to increased work for PPKME and potentially capital expenditures occurring which have been talked about for several years now.

PPKME will continue to develop its own mining innovation and technology products for the mining segment with the completion of the battery electric 12 seat personnel vehicle and a wireless data logger that can be fixed to underground machines to register the machine's performance analytics and relay this information to a centralised location for tracking, monitoring and reporting. There is a large industry demand for both products and could underpin the next evolution of PPKME in the underground coal industry.

PPK continues to explore options to demerge PPKME as mentioned in the Update sections of this report.

Finally, it is with deep sadness that I acknowledge the loss of long time director Graeme Webb whom I have known personally for some 15 years. As the Chairman of PPK, I have often sought his opinion and guidance during this time and will miss this going forward.

Robin Levison
Executive Chairman
16 February 2021

Directors' report

Your Directors submit their report for the half-year ended 31 December 2020.

Directors

The names of the Company's Directors in office during the half year and until the date of this report are set out below. Directors were in office for this entire period unless otherwise stated.

Robin Levison
Glenn Molloy
Graeme Webb
Dale McNamara
Anthony McDonald

(Ceased 25 January 2021)

Review and results of operations

A detailed review of results and operations is included in the Executive Chairman's Report on page 2 of this report.

Dividends

	Amount per share	Franked amount per share
2020 Special	2.5 cent	2.5 cent
2020 Final - ordinary	1.0 cent	1.0 cent
2020 Interim – ordinary	1.0 cent	1.0 cent
2019 Final - ordinary	1.0 cent	1.0 cent
2019 Interim - ordinary	1.0 cent	1.0 cent

With the issuance of a special fully franked dividend announced on 11 December 2020 and paid on 23 December 2020, the Board has resolved not to issue an interim dividend.

Significant changes in the state of affairs

During the period PPK oversaw the continued improvement of the quality of BNNT manufactured, the increase of the production volumes of BNNT produced by BNNTTL and the advancement of research into a range of BNNT projects leading to commercialisation identified in its Joint Venture Research Agreement with Deakin University and BNNTTL.

With a semi-automated process, a four furnace module completed and an eight hour shift per day, BNNTTL is producing 15 kilos per annum per shift of 99% pure BNNT. The capital cost for each module is less than \$0.700M to build and can be completed within three months with most materials and equipment available in Australia thus minimising supply chain disruption.

PPK has continued to expand its vertical integration of BNNT into new markets as follows:

- PPK has a 45% interest in BNNT Precious Metals Limited which was incorporated on 21 July 2020 with a purpose to infuse BNNT into gold and silver to enable superior strength, hardness and durability of these metals for industry (ie electronic components, industrial foils, radiation shielding and other commercial products) and jewellery.
- White Graphene Limited (WGL) was incorporated on 24 August 2020 under the PPK/Deakin University Joint Venture Research Agreement with PPK holding a 65% interest, Deakin holding a 25% interest and BNNTTL holding a 10% interest. WGL has an exclusive 20 year global license to commercialise Deakin University's patented white graphene technology. WGL has raised \$2.800M from sophisticated investors to complete the research and development and build a prototype manufacturing plant for high manufacturing volume and high purity, similar to that done with BNNTTL. As a result of the capital raise, PPK's and BNNTTL's interests were diluted to 59.8% and 9.2% respectively.
- Strategic Alloys Pty Ltd was incorporated on 12 October 2020 as a joint venture with PPK having a 45% interest, Amaero International Limited (ASX Code: 3DA) holding a 45% interest and Deakin University holding a 10% interest of the company with the purpose to develop a super strength aluminium alloy.

PPK has diversified its reliance on BNNT and its related application projects with a 20% investment in AMAG Holdings Australia Pty Ltd (AMAG) for \$1,500M. AMAG is a Software-as-a-Service platform that combines video, artificial intelligence, deep learning and advanced ergonomics for predictive analytics to manage road safety. The research project is being supported by the University of Queensland, Queensland University of Technology and the University of British Columbia and is moving into early stage commercialisation.

PPK raised \$15.400M by issuing 2.800M shares at \$5.50 per share to a range of institutional and sophisticated investors. The funds are to be used to accelerate the research, development and commercialisation of previously announced and new BNNT application projects such as those noted above, to fund further technology investment opportunities such as AMAG and to facilitate the separation of the mining business.

PPK also facilitated the capital raise of \$3.250M in Li-S in July and \$2.800M in WGL in December as per its responsibilities under the Joint Venture Research Agreement between PPK, BNNTTL and Deakin University.

Rounding

The amounts contained in this report and in the financial report have been rounded to the nearest \$1,000 (unless otherwise stated) 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 the legislative instrument applies.

In Commemoration of Graeme Webb

We were saddened by the sudden passing of Graeme on 25 January 2021 after a short illness. Graeme has had an association with the PPK Group Limited and its various entities for 35 years as an active director and/or major shareholder. His insight, expertise, advice and personality will be sorely missed by the Board and management team.

Signed in accordance with a resolution of the Directors.



Robin Levison
Executive Chairman
16 February 2021



**Building a better
working world**

Ernst & Young
111 Eagle Street
Brisbane QLD 4000 Australia
GPO Box 7878 Brisbane QLD 4001

Tel: +61 7 3011 3333
Fax: +61 7 3011 3100
ey.com/au

Auditor's Independence Declaration to the Directors of PPK Group Limited

As lead auditor for the review of PPK Group Limited for the half-year ended 31 December 2020, 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 review; and
- b. No contraventions of any applicable code of professional conduct in relation to the review.

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

Ernst & Young

Brad Tozer
Partner
16 February 2021

PPK GROUP LIMITED

**Interim condensed consolidated statement of profit or loss
for the six months ended 31 December 2020**

		31 December 2020	31 December 2019
		\$000	\$000
	Notes		
Continuing operations			
Total revenue	5	17,890	22,053
Cost of sales	5	(13,874)	(15,641)
Gross profit		4,016	6,412
Other operating income		66	12
Mining services expenses		(3,751)	(4,506)
Technology expenses		(514)	(112)
Corporate expenses		(1,649)	(1,550)
Finance costs	5	(84)	(429)
Share of profit/(loss) of an associate and a joint venture	5	(119)	123
Profit/(loss) before tax from continuing operations	5	(2,035)	(50)
Income tax expense		-	(70)
Profit/(loss) after tax from continuing operations		(2,035)	(120)
Discontinued operations			
Profit/(loss) after tax for the period from discontinued operations		-	(109)
Profit/(loss) for the period		(2,035)	(229)
Attributable to:			
Owners of PPK Group Limited		(1,838)	(229)
Non-Controlling Interest	10	(197)	-
		(2,035)	(229)
Earnings per share (in cents):			
Basic	13	(2.36)	(0.27)
Diluted	13	(2.35)	(0.27)
Earnings per share from continuing operations (in cents):			
Basic	13	(2.36)	(0.14)
Diluted	13	(2.35)	(0.14)
Earnings per share from discontinued operations (in cents)			
Basic		-	(0.13)
Diluted		-	(0.13)

The above consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

PPK GROUP LIMITED**Interim condensed consolidated statement of comprehensive income
for the six months ended 31 December 2020**

	31 December 2020 \$000	31 December 2019 \$000
Profit/(loss) for the period	(2,035)	(229)
Other comprehensive income		
<i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods (net of tax):</i>	-	-
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods, net of tax	-	-
<i>Other comprehensive income that will not be reclassified to profit or loss in subsequent periods (net of tax):</i>	-	-
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods, net of tax	-	-
Other comprehensive income/(loss), net of tax	-	-
Total comprehensive income/(loss), net of tax	(2,035)	(229)
Attributable to:		
Equity holders of the parent	(2,035)	(229)
	(2,035)	(229)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

PPK GROUP LIMITED

**Interim condensed consolidated statement of financial position
as at 31st December 2020**

		31 December 2020 \$000	30 June 2020 \$000
	Notes		
Assets			
Current assets			
Cash and cash equivalents		19,481	5,344
Trade and other receivables		4,484	6,324
Contract assets		2,122	1,659
Inventories		11,488	10,594
Other current assets		541	742
		<u>38,116</u>	<u>24,663</u>
Non-current assets			
Investments in associates and a joint venture – equity accounted		24,948	25,086
Investments		3,976	2,547
Property, plant and equipment		4,629	5,240
Right-of-use assets		2,905	3,628
Intangible assets		4,380	3,038
Other non-current assets		-	37
		<u>40,838</u>	<u>39,576</u>
Total assets		<u>78,954</u>	<u>64,239</u>
Liabilities and equity			
Current liabilities			
Trade and other payables		4,726	4,333
Lease and other liabilities		1,882	1,681
Interest-bearing loans and borrowings		-	152
Provisions		1,557	1,581
		<u>8,165</u>	<u>7,747</u>
Non-current liabilities			
Lease liabilities		1,188	1,998
Provisions		324	301
		<u>1,512</u>	<u>2,299</u>
Total liabilities		<u>9,677</u>	<u>10,046</u>
Net assets		<u>69,277</u>	<u>54,193</u>
Equity			
Contributed equity	11.1	74,968	59,500
Treasury shares	11.4	(227)	(227)
Reserves	12	7,844	4,143
Retained earnings (accumulated losses)		(16,217)	(11,325)
Capital and reserves attributable to owners of PPK Group Ltd		<u>66,368</u>	<u>52,091</u>
Non-controlling interests	10	2,909	2,102
Total equity		<u>69,277</u>	<u>54,193</u>

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

PPK GROUP LIMITED

**Interim condensed consolidated statement of cash flows
for the six months ended 31 December 2020**

		31 December 2020 \$000	31 December 2019 \$000
	Notes		
OPERATING ACTIVITIES			
Cash receipts from customers		20,654	25,662
Cash payments to suppliers and employees		(19,667)	(23,080)
Interest received		4	4
Net cash flows from (used in) operating activities		991	2,586
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(149)	(298)
Payments for acquisition of an investment	6	(1,500)	(2,969)
Proceeds from dividend from associate		362	-
Payments for acquisition of an investment		(55)	-
Transaction costs related to acquisition		-	(10)
Proceeds from sale of property, plant and equipment		3	15
Payments for intangible assets		(1,213)	(566)
Net cash flows from (used in) investing activities		(2,552)	(3,828)
FINANCING ACTIVITIES			
Proceeds from capital raising	11.2	15,400	8,500
Transaction cost related to capital raising	11.2	(802)	(451)
Proceeds from capital raising - controlled entities		2,806	-
Transaction cost related to capital raising - controlled entities		(97)	-
Payment of lease liabilities		(854)	(763)
Proceeds from borrowings		-	5,000
Financing costs		(113)	(168)
Repayment of borrowings and bank loans		-	(7,201)
Loans to associates - loan advanced		(373)	-
Loans to associates - loan repaid		100	-
Dividends paid		(369)	(348)
Net cash flows from (used in) financing activities		15,698	4,569
Net increase (decrease) in cash and cash equivalents		14,137	3,326
Cash at the beginning of the financial period		5,344	1,047
Cash at the end of the financial period		19,481	4,373

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

PPK GROUP LIMITED
**Interim condensed consolidated statement of changes in equity
for the six months ended 31 December 2020**

					Attributable to		
	Note	Issued Capital	Treasury Shares	Retained Earnings	Capital Reserves	Owner of PPK Group	Minority Interest
		\$000	\$000	\$000	\$000	\$000	\$000
At 1 July 2020		59,500	(227)	(11,325)	4,143	52,091	2,102
Total comprehensive income/(loss) for the half year							
Profit/(loss) for the period		-	-	(1,838)	-	(1,838)	(197)
Total comprehensive income/(loss) for the half year		-	-	(1,838)	-	(1,838)	(197)
Transactions with owners in their capacity as owners							
Issue of share capital on private placement	11.1	14,598	-	-	-	14,598	-
Issue of share capital on dividend reinvestment plan	11.1	479	-	-	-	479	-
Issue of performance rights	11.1	391	-	-	(206)	185	-
Dividends paid		-	-	(852)	-	(852)	-
Dividends paid - in specie distribution	12.4	-	-	(2,202)	1,939	(263)	263
Capital raise in controlled entity	10	-	-	-	1,744	1,744	965
Change in minority interest held by controlled entity	12.3	-	-	-	224	224	(224)
At 31 December 2020		74,968	(227)	(16,217)	7,844	66,368	2,909

For the six months ended 31 December 2019

At 1 July 2019		47,743	(220)	(17,930)	671	30,264	-
Total comprehensive income for the half year							
Profit/(loss) for the period		-	-	(229)	-	(229)	-
Total comprehensive income/(loss) for the half year		-	-	(229)	-	(229)	-
Transactions with owners in their capacity as owners							
Issue of share capital on private placement		8,049	-	-	-	8,049	-
Issue of share capital on acquisition		2,240	-	-	-	2,240	-
Issue of share capital on dividend reinvestment plan		472	(7)	-	-	465	-
Issue of performance rights		-	-	-	535	535	-
Dividends paid		-	-	(818)	-	(818)	-
At 31 December 2019		58,504	(227)	(18,977)	1,206	40,507	-

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

PPK GROUP LIMITED

Notes to the interim condensed consolidated financial statements For the six months ended 31 December 2020

1 Corporate information

The financial statements of PPK Group Limited ("PPK" or "the Group") for the six months ended 31 December 2020 were authorised for issue in accordance with a resolution of the Directors on 16 February 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 ("ASX Code: PPK").

The principal activities of the Group are:

- Technology
 - manufacture of high-grade boron nitride nanotubes (BNNT) to:
 - supply to select industries to further research and development into the blending/infusing of BNNT into conventional materials; and
 - investment in and enhancement of selected BNNT product applications such as ballistic protection systems (Craig International Ballistics Pty Ltd and Ballistics Glass Pty Ltd), lithium sulphur battery products (Li-S Energy Limited and Xeta Energy LLC), dental applications (3D Dental Technology Pty Ltd), precious metals (BNNT Precious Metals Limited), aluminium (Strategic Alloys Pty Ltd) and graphene (White Graphene Limited).
 - investing in new technologies where we can use our experience to commercialise and enhance equity returns.
- Mining services
 - the design, manufacture, service, support and distribution of CoalTram and other underground coal mining vehicles, alternators, electrical equipment, drilling and bolting equipment and mining consumables, and hire of underground coal mining equipment.

There were no other significant changes in the nature of the Group's principal activities during the period.

Refer to note 5 (Segment information) for more information about the Group's operating segments.

2 Basis of preparation and changes to the Group's accounting policies

2.1 Basis of preparation

The interim condensed consolidated financial statements for the six months ended 31 December 2020 have been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001. This financial report also complies with IAS 34 Interim Financial Reporting, as issued by the International Accounting Standards Board.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 30 June 2020.

Going Concern

The consolidated financial statements have been prepared on a going concern basis, which contemplates continuity of business activities and the realisation of assets and settlement of liabilities in the normal course of business. In making this assessment, Directors have identified and considered the following:

- During the whole period, and at all times subsequent, the Group has been able to meet its obligations as and when they fell due;
- The Group, inclusive of 100% owned subsidiaries only, has current assets of \$32.239M, of which \$26.087M are highly liquid;
- The Group, inclusive of 100% owned subsidiaries only, has net working capital of \$24.613M;
- The Group has a maximum \$4.000M debtor financing facility available from a major bank which has not been drawn against;
- The Group had surplus cash flows from operating activities of \$0.991M;
- The Group had a capital raising of \$15.400M in the period, has a history of strong support from the majority of shareholders and has expectations this will continue;
- The investments in technology ventures are expected to provide profits and cashflow which PPK will be able to use going forward;
- The Group paid an interim and a final dividend of \$0.01 each per share for the 30 June 2020 financial year and a special dividend of \$0.025 per share for this financial year.

2.2 New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2020, except for the adoption of new standards effective as of 1 July 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments and interpretations apply for the first time for reporting periods beginning on or after 1 July 2020, but do not have an impact on the interim condensed consolidated financial statements of the Group.

PPK GROUP LIMITED
Notes to the interim condensed consolidated financial statements
For the six months ended 31 December 2020

3 Significant accounting judgements, estimates and assumptions

The preparation of the Group's interim condensed 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 affected in future periods.

The judgements, estimates and assumptions applied in the interim condensed consolidated financial statements, including the key sources of estimation uncertainty were the same as those applied in the Group's last condensed consolidated financial statements for the year ended 30 June 2020, other than those described in respect of the application of new standards, interpretations and amendments adopted by the Group as detailed in Note 2.2. The Group based its assumptions and estimates on parameters available when the interim condensed consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

4 Revenue from contracts with customers

Set out below is the disaggregation of the Group's revenue from contracts with customers:

	31 December 2020 \$000	31 December 2019 \$000
Type of goods or services		
Sale of goods	7,067	8,359
Rendering of services	10,458	13,028
Total revenue from contracts with customers	17,525	21,387
Rental income	365	666
Total revenue	17,890	22,053
Timing of revenue recognition		
Goods transferred at a point in time	7,067	8,359
Services rendered over time	10,458	13,028
Total revenue from contracts with customers	17,525	21,387

Customers concentration

Revenues are concentrated on the top three customers as follows:

Customer 1	5,598	8,298
Customer 2	4,310	4,951
Customer 3	4,161	3,767

Geographical markets

The Group primarily operates in Australia with less than 1% of its revenue from the mining equipment segment from customers located overseas.

PPK GROUP LIMITED
Notes to the interim condensed consolidated financial statements
For the six months ended 31 December 2020

5 Segment information

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 are Technology and Mining Services.

Reportable Segments	31 December 2020			31 December 2019		
	Technology \$000	Mining Services \$000	Total \$000	Technology \$000	Mining Services \$000	Total \$000
Revenue from contracts with customers	-	17,525	17,525	-	21,387	21,387
Rental income	-	365	365	-	666	666
Total revenue	-	17,890	17,890	-	22,053	22,053
Other income						
Share of profit/(loss) from equity accounted associates and joint ventures	(119)	-	(119)	123	-	123
Net gain (loss) on sale of fixed assets	-	(27)	(27)	-	8	8
Foreign exchange gain (loss) on financial assets at fair value through profit or loss	(278)	-	(278)	-	-	-
Grant Income	-	56	56	-	-	-
Sundry income	-	6	6	-	-	-
	(397)	35	(362)	123	8	131
Total revenue and other income	(397)	17,925	17,528	123	22,061	22,184
Segment expenses include						
Cost of sales	-	13,874	13,874	-	15,641	15,641
Employee expenses	-	1,299	1,299	61	1,725	1,786
Administration expenses	208	1,035	1,243	51	1,588	1,639
Allowance for expected credit losses	-	-	-	-	-	-
Short-term leases	-	188	188	-	-	-
	208	16,396	16,604	112	18,954	19,066
Earnings before interest, tax, depreciation and amortisation	(605)	1,529	924	11	3,107	3,118
Depreciation and amortisation	28	1,203	1,231	-	1,193	1,193
Interest expense	-	84	84	240	189	429
Income tax benefit (expense)	-	-	-	-	-	-
Segment profit/(loss)	(633)	242	(391)	(229)	1,725	1,496
Reconciliation of segment profit (loss) to group net profit before tax						
Amounts not included in segment profit/(loss) but reviewed by the Board:						
Unallocated costs to defend a dispute of a business acquisition made in 2014			221			-
Interest (income) expense			(4)			(4)
Impairment of a loan			-			91
Unallocated corporate expense			1,198			1,144
Unallocated share based payment expense			119			315
Short-term leases			110			-
Profit/(loss) before tax from continuing operations			(2,035)			(50)
Segment assets (Note A)	32,563	28,716	61,279	24,511	32,250	56,761
Unallocated			17,675			2,823
Total Assets	32,563	28,716	78,954	24,511	32,250	59,584
Segment liabilities (Note B)	375	8,584	8,959	9,281	9,797	19,078
Unallocated			718			-
Total Liabilities	375	8,584	9,677	9,281	9,797	19,078

Note A - Segment assets include the Group's fair value of the assets and liabilities at the date of acquisition and the associated acquisition costs that were capitalised.

Note B - Segment liabilities includes those liabilities associated with the technology ventures as a result of the acquisition.

PPK GROUP LIMITED
Notes to the interim condensed consolidated financial statements
For the six months ended 31 December 2020

6 Significant events and transactions

BNNTTL's production is able to consistently produce 15 kilograms per annum per shift of 99% pure BNNT, using a two furnace configuration. Two additional furnaces have been purchased to configure a single module and production should be increased to 60 kilograms per annum per shift. Based on research reports, this production volume would make BNNT Technology Limited (BNNTTL) the largest manufacturer in the world. The capital cost of a single module is less than \$0.700M.

In September 2020, a leading independent Australian university revealed that BNNT manufactured by BNNTTL had the highest purity among commercial products in the world.

PPK has continued to expand its vertical integration of BNNT into new markets as follows:

- BNNT Precious Metals Limited was incorporated on 21 July 2020 to infuse BNNT into gold and silver to enable superior strength, hardness and durability of these metals for industry (ie electronic components, industrial foils, radiation shielding and other commercial products) and jewellery. PPK has a \$45 investment in the entity giving it a 45% interest.
- White Graphene Limited (WGL) was incorporated on 24 August 2020 under the PPK/Deakin University Joint Venture Research Agreement with PPK holding a 65% interest, Deakin holding a 25% interest and BNNTTL holding a 10% interest. WGL has an exclusive 20 year global license to commercialise Deakin's patented white graphene technology. WGL has raised \$2.800M from sophisticated investors to complete the research and development and build a prototype manufacturing plant for high manufacturing volume and high purity, similar to that done with BNNTTL. As a result of the capital raise, PPK's and BNNTTL's interests were diluted to 58.9% and 9.2% respectively. PPK has a \$10,400 investment in WGL.
- Strategic Alloys Pty Ltd was incorporated on 12 October 2020 as a joint venture with PPK holding a 45% interest, Amaero International Limited (ASX: 3DA) holding a 45% interest and Deakin University holding a 10% interest in the company with the purpose to develop a super strength aluminium alloy. PPK's investment is \$45.

PPK has diversified its reliance on BNNT and its related application projects with a 20% investment in AMAG Holdings Australia Pty Ltd (AMAG) for \$1.500M and accounts for this investment at fair value through profit and loss.

AMAG is a Software-as-a-Service platform that combines video, artificial intelligence, deep learning and advanced ergonomics for predictive analytics to manage road safety. The research project is being supported by the University of Queensland, Queensland University of Technology and the University of British Columbia and is moving into early stage commercialisation.

The Group's share of the fair value of the identifiable assets and liabilities of AMAG as at the date of the acquisition, being 15 December 2020, were:

	\$000
Assets	
Intangibles	1,500
Total assets	1,500
Total liabilities	-
Total identifiable net assets	1,500
Purchase consideration transferred	
Cash	1,500
Transaction costs	-
	1,500

PPK completed a capital raising on 27 November 2020 for \$15.400M with the issuance of 2.800M shares at \$5.50 per share. The funds raised are to be used 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 services business.

In addition to paying a dividend of \$0.01 per share, PPK issued a special fully franked dividend of \$0.025 per share in December 2020. The payment of the special dividend was by a transfer of 34,153,574 shares which the Group owned in Li-S Energy Limited. As a result, the Group's ownership of Li-S Energy Limited's shareholding was diluted to 51.9%.

The Group received a fully franked dividend of \$0.362M from Craig International Ballistics Pty Ltd for the June 2020 financial year.

PPK underwrote a capital raise for its Strategic Alloys joint venture partner, Amaero International Limited (ASX Code: 3DA) to a maximum of \$1.500M and, should the shortfall be less than \$0.500M then PPK can subscribe for the number of shares which, together with the shortfall, will be equal to \$0.500M. The capital raise was oversubscribed and PPK was allotted 0.909M shares in Amaero International Limited for its \$0.500M investment.

In the period, the Group completed the deregistration of PPK China Pty Ltd, PPK (Beijing) Mining Equipment Co., Ltd, PPK (CC) Pty Ltd and QES AIR Pty Ltd.

PPK GROUP LIMITED
Notes to the interim condensed consolidated financial statements
For the six months ended 31 December 2020

7 Liabilities, commitments and other contingencies

The Group has the following bank guarantees which are secured against cash of the same amounts:

- \$0.359M (2019: \$0.359M) for a property lease; and
- \$0.100M (2019: \$0.100M) for completion of a property development.

Non-bank guarantees and indemnities include:

- 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. The facility has not been drawn down.
- the lease motor vehicle fleet provider has a guarantee and indemnity from PPK Group Limited in relation to the leased motor vehicle fleet.

The Group has the following contingent liabilities and commitments:

- \$1.000M for a finance facility provided to BNNT Technology Limited to fund additional equipment, \$0.225M drawn down at 31 December 2020
- \$0.298M for a loan facility to fund the development project undertaken by BNNT Precious Metals Limited, nil drawn down at 31 December 2020
- \$0.142M for a loan facility to fund the development project undertaken by 3D Dental Technology Pty Ltd, \$0.076M drawn down at 31 December 2020
- \$0.194M for a loan facility to fund the development project undertaken by Strategic Alloys Pty Ltd, \$0.100 drawn down at 31 December 2020
- \$0.027M for a loan facility to fund the development project undertaken by Ballistic Glass Pty Ltd, \$0.027M drawn down at 31 December 2020
- Li-S Energy Limited has a contingent liability in that if it doesn't complete its initial public offering by 31 December 2021 then 50% of the share swap entered into with Zeta Energy LLC will be cancelled retroactive to 16 June 2020.
- \$0.594M being the rental arrears owing under a previous property lease. The Group signed a five year lease to 31 July 2022 and, as a condition of this lease, the lessor 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.
- to the previous AICIC owners that should the value of 6.633M consideration shares, calculated based on the 5 day VWAP share price of PPK immediately prior to the release of the consideration shares from escrow, be less than \$6.650M then PPK will be obligated to pay the vendor the difference in cash as an adjustment to the purchase price.
- as a consideration of the acquisition of AICIC, the Group has a contingent consideration of \$10.000M to the vendor if AICIC's EBIT for the two financial years ending 30 June 2021 is 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. At 31 December 2020 the exposure to this has been assessed as nil.
- 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 \$0.500M of share plus interest and costs. As advised in the 2016 Annual Report, the Group does not believe the vesting conditions were met and still maintains this position.

8 Financial liabilities

The carrying values of financial liabilities approximate their fair value. Estimated discounted cash flows were used to measure fair value.

The Group's and parent's investments and obligations expose it to market, liquidity and credit risks. The nature of the risks and the policies the Group and parent has for controlling them and any concentrations of exposure are discussed as follows:

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).

	Level 1	Level 2	Level 3	Total
	\$000	\$000	\$000	\$000
Group December 2020				
Non-current assets				
Listed equity securities	206	-	-	206
Unlisted equity securities	-	-	3,770	3,770
	206	-	3,770	3,976
Group June 2020				
Non-current assets				
Unlisted equity securities	-	-	2,547	2,547
	-	-	2,547	2,547

The Level 3 fair value assessment of unlisted equity securities for one security 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 2020. The amount per share in United States Dollars has been converted to Australian Dollars at the prevailing exchange rate of \$0.7702 at 31 December 2020 (30 June 2020: \$0.6863). The other security has been based on the Group's 20% investment in AMAG Holdings Australia Pty Ltd for \$1.500M on 16 December 2020.

PPK GROUP LIMITED
Notes to the interim condensed consolidated financial statements
For the six months ended 31 December 2020

9 Related party disclosures

9.1 Group related party agreements

The Group has the following related party agreements in place:

- a Shareholders Deed with Deakin University, BNNTTL and two other shareholders which sets out the respective rights and obligations of the shareholders as members of BNNTTL and the arrangement for the management, control and funding of BNNTTL. There have been no changes to the terms of the deed from those disclosed in the 30 June 2020 Annual Report.
- a Joint Venture Agreement with Deakin University and BNNTTL 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. There have been no changes to the terms of the agreement from that disclosed in the 30 June 2020 Annual Report.
- a Shareholders Deed with Deakin University and BNNTTL which sets out the respective rights and obligations of the shareholders as members of Li-S Energy Limited and the arrangement for the management, control and funding of the company. There have been no changes to the terms of the deed from those disclosed in the 30 June 2020 Annual Report.
- a Shareholders Deed with Deakin University and BNNTTL which sets out the respective rights and obligations of the shareholders as members of White Graphene Limited and the arrangement for the management, control and funding of the company.
- a Shareholders Deed with Deakin University and Amaero International Limited which sets out the respective rights and obligations of the shareholders as members of Strategic Alloys Pty Ltd and the arrangement for the management, control and funding of the company.
- a Shareholders Deed with Deakin University and the other major shareholder which sets out the respective rights and obligations of the shareholders as members of 3D Dental Technology Pty Ltd and the arrangement for the management, control and funding of the company.
- a Shareholders Deed with Deakin University and the other major shareholder which sets out the respective rights and obligations of the shareholders as members of BNNT Precious Metals Limited and the arrangement for the management, control and funding of the company.
- a Shareholders Deed with the two major shareholders which sets out the respective rights and obligations of the shareholders as members of Ballistic Glass Pty Ltd and the arrangement for the management, control and funding of the company.
- a Shareholders Deed with the two major shareholders which sets out the respective rights and obligations of the shareholders as members of Craig International Ballistics Pty Ltd and the arrangement for the management, control and funding of the company.

9.2 BNNTTL related party agreements

BNNTTL, as the joint venture, has the following related party agreements in place:

- a Technology License Agreement with Deakin University for an exclusive global 20 year licence, expiring 31 May 2038, to commercialise BNNT manufacturing technology patented by Deakin University. A condition of this agreement is that BNNTTL has the following commitments to Deakin University:
 - 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 BNNTTL or any of its sub-licensees.
- a lease with Deakin University for the premises at Waurn Pond, Geelong to expire 31 May 2021. A condition of this agreement is that BNNTTL has the following commitments to Deakin University:
 - an initial \$0.500M payment to 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's revenue exceeds \$5.000M per annum.
- a Supply Agreement with Li-S Energy Limited. There have been no changes to the terms of the agreement from that disclosed in the 30 June 2020 Annual Report.

9.3 Deakin University related party agreements

The following entities have a Research and Development Agreement with Deakin University to provide agreed services for each development project:

- Li-S Energy Limited
- White Graphene Limited
- BNNT Precious Metals Limited
- 3D Dental Technology Pty Ltd
- Ballistic Glass Pty Ltd
- Strategic Alloys Pty Ltd

9.4 Other related party transactions

	31 December 2020 \$000	31 December 2019 \$000
Sale of goods by joint venture to:		
Subsidiaries	207	-
Associates	9	-
Total revenue from contracts with related parties	216	-
Group interest bearing loans to:		
Joint venture	226	152
Subsidiaries	211	-
Associates	58	-
Total loans	495	152

The Group has accounted for the loans in the consolidated statement of financial position as follows:

- loans and capitalised interest to the joint venture and the associates are included in the carrying amounts of the investment;
- loans and capitalised interest to the subsidiaries are eliminated on consolidation.

PPK GROUP LIMITED
Notes to the interim condensed consolidated financial statements
For the six months ended 31 December 2020

10 Minority interests

		31 December 2020	30 June 2020
	Notes	\$000	\$000
<i>Movements in minority interests</i>			
Opening balance		2,102	-
Share of profit or loss		(197)	(15)
Net proceeds from capital raise in subsidiary		2,709	3,030
Net effect of PPK's interest in Li-S Energy's issued capital and reserves	12.3	(224)	(2,924)
Net effect of PPK's interest in White Graphene's issued capital and reserves		(1,744)	-
Net effect of PPK's interest in revaluation of Li-S Energy's investment in Zeta Energy LLC		-	2,011
Net effect of dividend issued from in specie distribution of Li-S Energy Limited shares	12.4	263	-
		<u>2,909</u>	<u>2,102</u>

11 Share capital

11.1 Issued capital

88.799M (June 2020: 85.621M) ordinary shares fully paid

74,968 59,500

Movements in ordinary share capital

Balance at 30 June 2020	59,500	47,743
New shares issued, net of transaction costs	14,598	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	391	389
Balance at 31 December 2020	<u>74,968</u>	<u>59,500</u>

11.2 New shares issued

\$000 \$000

Issued 2.800M shares for cash to fund the acceleration of the research, development and commercialisation of previously announced and new BNNT application projects, fund further technology investment opportunities and facilitate the separation of the mining business
Less transaction costs for issued share capital

15,400
(802)
14,598

Issued from dividend reinvestment plan
Less transaction costs for issued share capital

483
(4)
479

Issue to Long Term Incentive Plan Trust Account
Less transaction costs for issued share capital

396
(5)
391

Issued 2.000M shares for cash to fund the acquisition of CIB, JVRA application projects and working capital @ \$4.25 per share
Less transaction costs for issued share capital

8,500
(451)
8,049

Issued 0.500M shares for settlement of CIB @ \$4.50 per share
Less transaction costs for issued share capital

2,250
(9)
2,241

Issued from dividend reinvestment plan
Less transaction costs for issued share capital

949
(8)
941

Issued for Employee Share Scheme @ \$5.7803
Less transaction costs for issued share capital

138
(1)
137

Issue to Long Term Incentive Plan Trust Account
Less transaction costs for issued share capital

396
(7)
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.

11.3 Share movements

Movements in number of ordinary shares

Balance at the beginning of the financial year
New shares issued

	31 December 2020	30 June 2020
	No. of Shares	No. of Shares
Balance at the beginning of the financial year	85,620,743	82,488,074
New shares issued	3,178,550	3,132,669
	<u>88,799,293</u>	<u>85,620,743</u>

PPK GROUP LIMITED
Notes to the interim condensed consolidated financial statements
For the six months ended 31 December 2020

11.4 Treasury share movements

	31 December 2020		30 June 2020	
	No. of Shares	\$000	No. of Shares	\$000
Opening balance of treasury shares	696,771	(227)	695,122	(220)
Shares purchased in the Dividend Reinvestment Plan	-	-	1,649	(7)
Closing balance of treasury shares	696,771	(227)	696,771	(227)

12 Capital Reserves

	31 December 2020	30 June 2020
	\$000	\$000
Reserves	7,844	4,143
Share option reserve	663	869
Asset revaluation surplus	350	350
Share premium reserve	4,892	2,924
Dividend revaluation reserve	1,939	-
	7,844	4,143

Movement in reserves

12.1 Share options reserve

Opening balance	869	321
Issue of performance rights	185	548
Options vested at balance date	(391)	-
Closing balance	663	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.

12.2 Asset revaluation surplus

Opening balance	350	350
Revaluation of land and buildings	-	-
Closing balance	350	350

The asset revaluation surplus is used to recognise the fair value movement of land and buildings upon revaluation.

12.3 Share premium reserve

Opening balance		2,924	-
Increase in PPK's interest in Li-S Energy's issued capital and reserves	10	-	2,924
Increase in PPK's interest in Li-S Energy's issued capital and reserves through BNNT ownership	10	224	-
Increase in PPK's interest in White Graphene's issued capital and reserves		1,619	-
Increase in PPK's interest in White Graphene's issued capital and reserves through BNNT ownership		125	-
Closing balance		4,892	2,924

The share premium reserve is used to recognise PPK's interest in Li-S Energy's issued capital and equity reserves of 52% (30 June 2020: 58%) and additional 4.46% (30 June 2020: 4.9%) through ownership in BNNT Technology Limited.

12.4 Dividend revaluation reserve

Opening balance		-	-
Revaluation of dividend issued from in specie distribution of Li-S Energy Limited shares	14	2,219	-
In specie distribution of Li-S Energy Limited shares given to minority interests	10	(263)	-
In specie distribution of Li-S Energy Limited shares given to treasury shares	14	(17)	-
Closing balance		1,939	-

The dividend revaluation reserve is used to recognise the internal profit generated from the issue of Li-S Energy Limited 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 Limited shares for every 1 PPK Group Limited share held (approximately 1 Li-S Energy Limited share for every 2.6 PPK Group Limited shares held).

PPK GROUP LIMITED
Notes to the interim condensed consolidated financial statements
For the six months ended 31 December 2020

13 Earnings per share

Cash dividends to the equity holders of the parent:

Reconciliation of Earnings to Net Profit

Earnings used in calculating Basis and Diluted earnings per share from continuing operations
Earnings used in calculating Basis and Diluted earnings per share from discontinued operations
Profit / (loss) for the period

31 December 2020	30 June 2020
\$000	\$000

(2,035)	8,314
-	(60)
(2,035)	8,254

No. of Shares	No. of Shares
86,138,614	84,334,389

Weighted average number of ordinary shares used in calculating of Basic earnings per share

Weighted average number of potential ordinary shares outstanding during the period used in calculating Diluted earnings per share

86,643,614	85,091,889
------------	------------

14 Distributions made and proposed

Dividends to the equity holders of the parent:

Dividends on ordinary shares declared and paid:

Final dividend for 2020; 1.0 cents per share fully franked (2019: 1.0 cents per share fully franked)

31 December 2020	30 June 2020
\$000	\$000

859	825
-----	-----

Interim dividend for 2021: Nil (2020: 1.0 cents per share fully franked)

-	854
---	-----

Special dividend for 2021: 2.5 cents per share fully franked paid as in specie distribution of shares in Li-S Energy Limited

2,219	-
-------	---

The 2020 interim dividend was paid on 30 April 2020.

These dividends include amounts relating to the treasury shares held by the Group to the total of \$0.007M in the final dividend and \$0.017M for the special dividend (see Note 12.4).

15 COVID-19 Update

BNNTTL's manufacturing plant and the Li-S Energy and White Graphene laboratories are located at Deakin University's Waurn Ponds facility in Geelong, Victoria. Research and development undertaken for the various BNNT application ventures are done in Deakin University's laboratories in Melbourne or Geelong, Victoria. On 13 February 2021 Victoria imposed Stage 4 restrictions for the state for a minimum of 5 days which has resulted in the closure of Deakin University's Waurn Pond facility and all campuses and laboratories. At the date of these financial statements we believe that the manufacturing plant and laboratories will be opening after this 5 day lockdown, however, if the closure should continue beyond this date or there were further closures for unknown periods, the impact on the operations of BNNTTL, Li-S Energy, White Graphene or any of the BNNT application ventures is unknown.

PPKME, its customers and most suppliers operate in close proximity to PPKME's three facilities in NSW. While the facilities have operated during this reporting period, if one or more of the facilities should be required to close, or if there were impacts on its customers and/or its suppliers operations, the impact on PPKME's operations is unknown.

CIB's operations have been impacted with customer orders being deferred and the supply of materials being delayed but the operations have continued to operate during this reporting period. However, if the manufacturing plant should be required to close it is unknown how long this closure would be, or if there were further impacts on its customers and/or suppliers, the impact on the operations of CIB is unknown.

16 Events after the reporting period

Long Term Incentive Plan

On 19 January 2021, PPK issued 0.253M shares, as part of its Long Term Incentive Plan (LTI Plan), for shares that vested on 1 January 2021. The LTI Plan is for directors, executives and senior managers and was approved by shareholders at an Annual General Meeting on 27 November 2018 and for those directors that participate their shares have been also approved by shareholders at Annual General Meetings.

Underwriting Amaero International Limited Capital Raise

PPK has invested \$0.500M in Amaero International Limited as a result of its underwriting agreement and has been issued 909,090 shares at \$0.55 per share on 3 February 2021.

BNNTTL Expands Production

In February 2021 the BNNTTL board approved the build of a second manufacturing module in the existing manufacturing plant for less than \$700,000. Once completed BNNTTL will have the capability of manufacturing 30 kilograms of BNNT per annum based on a single shift.

Directors' declaration

The Directors of the company declare that:

- (a) The accompanying financial statements and accompanying notes, are in accordance with the Corporations Act 2001 and:
 - (i) comply with Accounting Standards AASB 134 "Interim Financial Reporting" and IAS 34 Interim Financial Reporting issued by the International Accounting Standards Board; and
 - (ii) give a true and fair view of the consolidated entity's financial position as at 31 December 2020 and of performance for the half-year ended on that date.
- (b) There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors by:



Robin Levison
Executive Chairman
16 February 2021



Building a better
working world

Ernst & Young
111 Eagle Street
Brisbane QLD 4000 Australia
GPO Box 7878 Brisbane QLD 4001

Tel: +61 7 3011 3333
Fax: +61 7 3011 3100
ey.com/au

Independent Auditor's Review Report to the Members of PPK Group Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of PPK Group Limited (the Company) and its subsidiaries (collectively the Group), which comprises the statement of financial position as at 31 December 2020, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not 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 31 December 2020 and of its consolidated financial performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2020 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



**Building a better
working world**

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Ernst & Young

Brad Tozer
Partner
Brisbane
16 February 2021