



ASX ANNOUNCEMENT

FOR IMMEDIATE RELEASE TO THE MARKET

PPK Group Limited – ASX Code: PPK

Thursday 24 February 2022

Appendix 4D and Interim Financial Report

PPK Group Limited (ASX Code: PPK) is pleased to provide its Appendix 4D and Interim Financial Report for the six months ended 31 December 2021.

This announcement has been made and authorised by the PPK Group Board.

For further information contact:

Robin Levison

Executive Chairman of PPK Group Limited
On 07 3054 4500

PPK GROUP LIMITED

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APPENDIX 4D

PPK Group Limited
ABN 65003964181
Half Year Report for the
Six months ended 31 December 2021

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.

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Results for announcement to the market

| | 31 December 2021 \$000 | 31 December 2020 \$000 | Change \$000 | Change % |
|--|------------------------------|------------------------------|-----------------|-------------|
| Total revenues from continuing operations | 165 | - | 165 | - |
| Profit/(loss) from continuing operations before tax expense | 2,056 | (2,277) | 4,333 | 190% |
| Profit/(loss) from continuing operations after tax attributable to owners of PPK Group Limited | 5,318 | (2,079) | 7,398 | 356% |
| Profit/(loss) after tax attributable to owners of PPK Group Limited | 7,612 | (1,838) | 9,450 | 514% |
| Basic and diluted earnings per share attributable to owners of PPK Group Limited | cents 6.3 | cents (2.4) | cents 8.7 | 366% |
| Net tangible assets per share (Note 1) | cents 115.8 | cents 68.1 | cents 47.7 | 70% |

Note 1 The net tangible asset backing includes the right-of-use assets per AASB 16 and excludes intangible assets, goodwill and deferred tax assets.

The net tangible asset backing per ordinary share is 92.53 cents from continuing operations (previous corresponding period of 68.1 cents includes the Disposal Group).

The Board has resolved not to issue an interim dividend.

DIVIDENDS

| | Amount per share | Franked amount per share |
|-------------------------|------------------|--------------------------|
| 2021 Final - ordinary | Nil | Nil |
| 2021 Special | 2.5 cents | 2.5 cents |
| 2021 Interim – ordinary | 1.0 cent | 1.0 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 |

Executive Chairman's report

Dear fellow shareholder,

It is my pleasure to be writing to you today to provide an update on the progress your company has made in the last six months, as well as setting out our key priorities and focus areas for the future.

My Executive Chairman's report for 30 June 2021 identified the three priorities which PPK were focusing on; the initial IPO of a BNNT application project (Li-S Energy); increased production and sales of BNNT and the demerger of the mining business. I will discuss each of these in further detail below.

Li-S Energy Limited (LIS)

The success of Li-S Energy's IPO has been a milestone achievement and vindication of the incubation and commercialisation model developed by PPK. Deakin presented the original science to PPK in February 2020, and PPK ultimately commercialised the project in September 2021 with an IPO value at listing of almost \$1.5 billion.

The IPO benefited PPK shareholders two-fold:

1. The 2.5 cent special ordinary fully franked dividend paid by a distribution in specie of Li-S Energy shares on 23 December 2020 were subsequently valued at the IPO at \$2.77 per share for each share held by PPK shareholders, a total value increase to those shareholders at the IPO of \$77.36 million; and
2. PPK's strategic investment in the Li-S Energy science created a value to PPK and its related companies of almost \$750 million at the IPO.

The Li-S Energy research and development program is designed to provide a path to deliver Li-S Energy batteries, materials and intellectual property to market and an update follows.

Li-S Energy:

- is constructing battery optimisation and testing laboratories in Geelong, Victoria.
- is developing the senior management team with the recent arrival of the Chief Technology Officer, Dr Stephen Rowlands in Australia and recruiting 2 other senior management roles. The Deakin team has grown to 12 highly skilled scientists and technicians.
- has two agreements with commercialisation partners:
 - Boeing's Insitu Pacific to integrate, test and eventually field an Li-S Energy battery into Insitu Pacific's range of Uncrewed Aircraft Systems (UAS). Should the project be successful, the UAS will be well positioned as a key contender for a number of global Small Tactical UAS opportunities with a range of Defence forces globally.
 - Janus Electric to develop and test Li-S Energy lithium sulphur and/or lithium metal battery cell technology incorporating BNNT and Li-nanomesh for use in Janus Electric exchangeable battery packs. Janus Electric intends to progressively phase out lithium-ion cells and purchase Li-S Energy cells to meet its projected requirements of 495,000 cells (total 247.5MWh) by the end of 2023.

Li-S Energy has a strong balance sheet with total net assets of \$53,841,902 including a cash balance of \$46,846,995 at 31 December 2021.

Further updates on Li-S Energy are available on its own website at www.lis.energy.

The PPK Group controls 50.22% of Li-S Energy.

UPDATE ON OTHER BNNT APPLICATION PROJECTS

BNNT Technology Ltd (BNNTTL)

BNNTTL continues to enhance its manufacturing capability with further automation of the production processes providing a continued high purity consistency of BNNT quality, materially increased volumes, further cost savings and reduction of employees handling risk.

BNNTTL is currently negotiating a long term lease to accommodate its 4 furnace modules (SM4 units) and the two new 6 furnace modules (SM6 units). BNNTTL is planning to expand its production plant to meet future demand and anticipates underlying BNNT material costs to significantly decrease once the SM4 and SM6 units are in an optimum layout configuration and the advanced automation processes are implemented.

We are pleased to report that following almost a year of lockdowns in Victoria, and most research centres globally due to the pandemic, we are now seeing a steady level of enquiry from both university research departments and potential global manufacturing users and partners enquiring for BNNT. We are encouraged by the fact that we are now being recognised as the lowest cost and highest purity manufacturer of BNNT globally.

PPK owns 51.02% of BNNTTL.

White Graphene Limited

With installation of equipment in the laboratory, WGL is producing small quantities of white graphene and research and development is being undertaken to refine the operating parameters required for full scale production under a similar framework undertaken with BNNT.

WGL signed a research and development agreement with Deakin in October 2021 to fast track eight white graphene application projects with a focus on those that are most likely to move into commercialisation in the shortest period.

WGL has also signed a collaboration agreement with Sun Metals, the Australian subsidiary of Korea Zinc which is one of the largest zinc, lead and silver producers in the world. The project is to explore creation of new composite protective coatings using white graphene to protect interior surfaces of sulphuric acid pumps and other equipment.

The PPK board continues to support an IPO for WGL and a further update will be provided in the 30 June 2022 Annual Report.

The PPK Group controls 67.61% of WGL.

Strategic Alloys Pty Ltd

The project was initially focused on creating a super strength aluminium and manganese alloy by introducing BNNT into its formulation. This was then expanded to include base metal additive manufacturing for aluminium, nickel and titanium.

The original project research continues and Strategic Alloys has a second specific project in progress funded by a US listed defence participant to fuse BNNT into their patented alloy.

PPK owns 45% of Strategic Alloys.

BNNT Precious Metals Limited

The project to test the infusion of BNNT as a nano-reinforcement into gold, silver and copper has been successful and the testing of the composites is in progress and the results are expected to be known shortly. We believe this will result in increased strength and hardness for these metals in both the jewellery and industrial markets, as well as radiation shielding properties for the aerospace and defence industries.

PPK owns 45% of Precious Metals.

3D Dental Technology Pty Ltd

The purpose of this project is to infuse BNNT into frequently used dental materials including zirconia and lithium disilicate ceramics. This project is ongoing and we expect an update from our Joint Venture partner in the coming months and will provide a further update at year end.

PPK owns 45% of 3D Dental.

Ballistic Glass Pty Ltd

There are two separate projects in progress; firstly to blend BNNT into bullet resistant glass and secondly to blend BNNT into ceramic and polymer materials for body armour.

Blending BNNT into liquid resins was successfully completed resulting in a much smaller amount of BNNT being used than expected and achieving a much higher rating in all comparative ratios tested. Similar tests will be performed on PVB, the most common interlayer used in glass manufacturing.

For the body armour project, blending BNNT into the woven fabric which can then be used for the design of bullet resistant clothing is being investigated.

PPK owns 40% of Ballistic Glass.

UPDATE ON OTHER TECHNOLOGY BUSINESS VENTURES

Craig International Ballistics Pty Ltd (CIB)

The major contract deferred in 2021 is currently being completed and, along with orders from new international customers, CIB is expecting a strong profit result in the second half of this financial year.

In addition, construction of the aerospace autoclave in the US is complete and in transit to Australia for expected commissioning before April 2022. This will provide significant new opportunities for future growth at CIB going forward.

It is pleasing to see CIB has managed through the supply chain disruption and the increased activity underway in the workshop is very promising for this financial year and beyond.

PPK owns 45% of CIB.

Survivon Limited

PPK invested \$4.500M in Survivon as a joint venture to manufacture anti-viral, antibacterial face masks using a new technology based on an ultra-thin / nano-scale coating of 99.95% pure copper, applied to the surface of the fabrics using a vapour deposition process. Survivon has a distribution agreement with HEIQ Materials AG, a Swiss based company trading on the London Stock Exchange, for the European Union and other agreed territories.

PPK also purchased the land and building which the mask manufacturing plant operates from and leases this to the company.

PPK owns 47.62% of Survivon.

Advanced Mobility Analytics Group Pty Ltd (AMAG)

AMAG developed the world's first Safe Mobility Alert Real Time (SMART) Artificial Intelligence (AI) delivered via Software-as-a-Service. It enables governments to achieve Vision Zero and Safe Systems policy objectives leveraging the efficiencies and scalability of SaaS. The enterprise solution offers analytics and insights horizontally within government departments, with 5 products in the platform. Two products are currently in the market, a third is expected to be released in early March 2022, a fourth is targeting release mid-year to manage pavement systems (i.e. bitumen and concrete road assets) using AI and the fifth is due for release in late 2022.

AMAG's newest product to market, the SMART OPERATIONS product, is a world-first platform using video analytics and AI to detect and proactively manage risk amongst road users via real time alerts. With a soft launch this month and a hard launch scheduled for the end of March, AMAG is already in discussion with five different customers to deploy SMART OPERATIONS in traffic management centres. The SMART SURVEY product is expected to be launched in early March, to deploy in Australia, New Zealand and the UK with existing partner customers.

AMAG has entered into 12 contracts and is negotiating with numerous other cities and go-to-market partners for other deployments in 8 different countries. AMAG aims to become a world leading provider of predictive analytics in transport. It enjoys a number of high-profile partnerships with technology providers such as AWS and Microsoft, and global engineering companies such as Stantec, Jacobs, and SMEC.

PPK will own 31.0% of AMAG by 30 June 2022.

UPDATE ON PPKME DEMERGER

The PPK Board has invested significant time and energy exploring several promising options for the disposal of PPKME. The Board's view has been that an outright sale of PPKME to another ASX listed company would be in the best interests of shareholders and PPKME's employees. Unfortunately, negotiations with the various interested parties have been unsuccessful and this approach has not resulted in a satisfactory sale offer.

The Board is currently engaging with our legal, tax and financial advisers with a view to distributing the shares in PPKME on a pro rata basis to existing PPK shareholders as a tax-free return of capital and/or tax-free dividend. PPK expects to engage with the ASX, ASIC and the ATO to further explore and develop this approach. It is anticipated that foreign shareholders will not be able to receive shares in PPKME; their shares will instead be sold and they will be paid a cash equivalent. This approach is similar to that previously adopted by the Board when issuing "unlisted" shares in Li-S Energy to PPK shareholders. PPKME

would then be operated as a separate unlisted public company with its own board of directors and management team, who would determine its own strategy (e.g. acquisitions, disposals or a trade sale). PPK would not retain any shareholding in the newly independent PPKME.

It is probable that shares in a newly independent PPKME would be illiquid after distribution. As a result, the Board anticipates that it will engage Finexia Securities Limited to operate an off market buy/sell facility to ensure liquidity.

Preparatory work is well underway with a view to completing the distribution before the end of the financial year. The Board will provide a more detailed announcement to the market once the proposal is finalised and notes its expectation that this matter will be put to a vote at an extraordinary general meeting of PPK shareholders for approval.

FINANCIAL RESULTS

PPK achieved a NPAT of \$5.613M (December 2020: Loss of \$2.035M) for the six month period attributable to:

- \$11.648M gain on the re-measurement of the equity interest at fair value of BNNTTL when it became a subsidiary company on 4 August 2021
- \$1.047M unrealised loss on its strategic investments in ASX listed companies
- \$0.091M unrealised foreign exchange gain on Li-S Energy's strategic investment in Zeta Energy Inc
- \$5.717M in technology expenses from PPK's three subsidiary companies (Li-S Energy, BNNTTL and WGL)
- \$3.072M in corporate expenses which includes:
 - \$1.276M for employee salaries and related expenses;
 - \$0.250M for directors' fees;
 - \$1.067M for legal, audit, tax and other professional fees including \$0.598M to defend a claim in the Supreme Court of NSW;
 - \$0.110M for occupancy costs; and
 - \$0.369M for other costs.
- \$2.294M profit from PPKME (discontinued operations) before any depreciation and amortisation expenses of \$1.323M not recognised in the reporting period; and
- \$1.263M income tax benefit recognised in subsidiary companies.

The \$11.648M gain on the re-measurement of the equity interest at fair value of BNNTTL reflects the inherent value that PPK has in this subsidiary which is not transparent in the financial statements. As an example, PPK owns directly 290.849M shares in Li-S Energy, which have a market value of about \$300.00M, but as a subsidiary this value is not directly reflected in the financial statements of PPK. Similarly, PPK has major shareholdings in other subsidiaries such as WGL and BNNTTL, for which the market value is not directly reflected in the financial statements of PPK.

Consolidated total assets have increased by \$56.744M to \$153.346M, consolidated net working capital has increased by \$25.956M to \$78.561M including consolidated cash of \$56.590M.

On 4 August 2021, PPK obtained control of BNNTTL and consolidates its financial results into PPK's from that date forward. As a result, the difference between the net identifiable assets acquired from BNNTTL in comparison to the fair value of those assets of \$29.271M has been provisionally allocated to goodwill and will be reviewed at year end.

Our consolidated intangible assets have increased to \$5.964M from \$1.622M which reflects the changing business of the PPK Group with development of the multiple science projects underway in the various subsidiaries. Despite this large increase, net tangible assets of the PPK Group from continuing operations have increased to 92.53 cents per ordinary share.

OUTLOOK

The balance of the financial year to June 30 2022 looks very positive for PPK Group.

While Li-S Energy, as an ASX-listed company, continues to communicate directly with its shareholders we also look forward to positive information in relation to its research and development programs, establishment of its battery optimisation and testing laboratories in Geelong, Victoria and further R&D collaboration agreements.

BNNTL's next milestone will be the commissioning of its 6 Furnace SM6 modules which are expected to maintain purity but reduce underlying cost per gram further, making BNNT more cost effective for use in additional industry verticals. Also, with the abating of COVID globally we are seeing research demand for BNNT to recovering.

As previously noted, WGL continues to progress with its strategic plan to commercialise white graphene with the intention to complete an IPO in the future. We would see this as an opportunity to realise the value of WGL to both PPK's and WGL's shareholders, similar to that of Li-S Energy with a positive IPO outcome.

The Ballistic Glass research projects may become even more influential if current international unrest continues and results are expected to be received prior to the end of the financial year.

We would expect to see a very positive financial result for this year from CIB with strong revenue growth being experienced generating either an interim dividend before the end of this financial year or a material final dividend early in the next financial year.

I see the investment in Survivon as a great opportunity to commercialise a new technology that is in such high demand and has so many uses beyond manufacturing of masks. I expect this business to continue to grow in the short term as governments, specific industries and employees seek to protect themselves using Survivon's products.

AMAG will launch its 3rd of 5 SMART products for reimagining transport analytics driven by AI in March with the final 2 products in the enterprise suite being offered before calendar year end. AMAG's sales funnel momentum is significant, and we believe this is truly a world first integrated solution for traffic planning, management, and safety improvement.

Once the PPKME demerger is complete, PPK will be solely a company focused on the technology incubation and commercialisation of primarily university based science. As discussed, PPK has multiple technology ventures in progress and continues to be provided with further opportunities to invest. However, while PPK will cease to be a PPKME shareholder, this investment provides further opportunities for our shareholders to obtain investment returns and dividends directly from PPKME.

Environmental, Social and Corporate Governance (ESG)

In this reporting period, institutions and proxy advisor firms have communicated a desire for PPK to set out its detailed ESG position. PPK has always been a strong supporter of the environment, social and corporate governance principles and is currently focused on documenting and explaining that commitment. PPK Group expects that it will more fully

articulate its current position and plans to move forward in this important area in its annual report later this year.

During the reporting period, PPK became a S&P / ASX 300 Company meaning it is now recognised as a top 300 listed company in Australia. As a result, there are a number of additional governance obligations that PPK must meet from 1 July 2022. Significant effort is currently being expended to prepare for this, as part of a broader focus on the uplift of governance and risk practices generally. The recruitment of our new General Counsel (Will Shiel) and our first Chief Information Officer and Chief Risk Officer (Marc Fenton) has been an important part of this process. I expect to comment on this matter further at year end.

I am optimistic about the future prospects for PPK Group and I want to take a moment to thank you for your ongoing support during these volatile times. I am looking forward to updating you further on our progress as part of our full year results.



Robin Levison
Executive Chairman
23 February 2022

Directors report

Your Directors submit their report for the six months ended 31 December 2021.

Directors

The names of the Company's Directors in office during the six month period ending 31 December 2021 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
Dale McNamara
Anthony McDonald

Review and results of operations

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

Dividends

Dividends paid or recommended for payment are as follows:

| | Amount per share | Franked amount per share |
|-------------------------|------------------|--------------------------|
| 2021 Final – ordinary | Nil | Nil |
| 2021 Special | 2.5 cents | 2.5 cents |
| 2021 Interim – ordinary | 1.0 cent | 1.0 cent |
| 2020 Final – ordinary | 1.0 cent | 1.0 cent |
| 2020 Interim – ordinary | 1.0 cent | 1.0 cent |

With the currently expressed intention to declare a special dividend and in-specie distribution of shares in PPKME to the Company's shareholders before the end of the financial year (discussed further in the Executive Chairman's Report), the Board has resolved not to issue an interim dividend.

Significant changes in the state of affairs

Li-S Energy IPO

Li-S Energy raised \$34.000M in a capital raising, as part of its IPO, and issued 40.000M shares at \$0.85 per share and listed on the Australian Securities Exchange on 28 September 2021.

Since the IPO, Li-S Energy has entered into collaboration agreements with Boeing InSitu Pacific, to power Uncrewed Aircraft Systems, and with Janus Electric, to power their electric prime movers.

Further testing of the Li-S Energy single layer lithium sulphur pouch cells with BNNT showed a performance increase to more than 1,100 charge/discharge cycles while retaining greater than 60% of initial capacity.

Li-S Energy is testing the first batch of multi-layer lithium sulphur pouch cells that were manufactured in-house and is testing a range of cells to prove the effectiveness of Li-Nanomesh in suppressing dendrite formation across a broad range of different operating scenarios, for potential use in the manufacture of external life lithium metal batteries.

At 30 June 2021, the Group held a consolidated interest of 51.90% in Li-S Energy. In July 2021, BNNTTL sold 10.000M shares in Li-S Energy and in September 2021 Li-S Energy issued 40.000M shares in a capital raising prior to its IPO. As a result, the consolidated interest for the Group was reduced to 50.22% in Li-S Energy.

Acquisition of BNNTTL

On 4 August 2021, PPK acquired control of BNNTTL with a 51.02% interest and BNNTTL became a subsidiary company. The change in PPK's accounting for BNNTTL from that of an investment in an associate to a subsidiary required PPK to re-measure its previously held equity interest in BNNTTL at fair value and the gain of \$11.648M was recognised on the statement of profit or loss.

The determination of the fair value of identifiable net assets acquired and resulting goodwill has been provisionally calculated at \$29.271M and the actual amount will be determined at year end.

A pre-tax loss of \$0.235M for the period 1 July 2021 to 4 August 2021 was recognised in the investment in an associate and a joint venture.

Joint Venture in Survivon

In August 2021, the Group incorporated Mask Innovation and then purchased the assets and business from another company that manufactured N95/R2 and 3 ply surgical masks for \$1.457M. The Group then acquired a 47.62% interest in Survivon Limited for \$4.500M and paid as consideration 100% of the shares in Mask Innovation for \$1.457M and cash of \$3.043M. Survivon acquired a developed technology to produce anti-viral, antibacterial face masks based on an ultra-thin / nano-scale coating of 99.95% pure copper applied to the surface of the fabrics using a vapour deposition process from its other major shareholder who also has a 47.62% interest in Survivon.

The Group separately purchased the land and building, which the mask manufacturing plant operates from, for \$4.179M and leases the property to Mask Innovation for \$0.240M per annum plus outgoings.

AMAG

The Group has invested a further \$0.946M in AMAG and has an interest of 26.45% as at 31 December 2021. The Group has a further commitment to acquire an additional 4.55% of AMAG in equal tranches as at 28 February 2022, 29 April 2022 and 30 June 2022.

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.

Signed in accordance with a resolution of the Directors.

A handwritten signature in black ink, appearing to read 'Robin Levison', with a stylized flourish at the end.

Robin Levison
Executive Chairman
23 February 2022



**Building a better
working world**

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

As lead auditor for the review of the half-year financial report of PPK Group Limited for the half-year ended 31 December 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 review;
- b. No contraventions of any applicable code of professional conduct in relation to the review; and
- c. No non-audit services provided that contravene 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
23 February 2022

PPK GROUP LIMITED

**Interim condensed consolidated statement of profit or loss and other comprehensive income
for the six months ended 31 December 2021**

| | Notes | 31 December 2021 \$000 | 31 December 2020 \$000 |
|--|----------|------------------------------|------------------------------|
| Continuing operations | | | |
| Total revenue | 5.2 | 165 | - |
| Cost of sales | | (6) | - |
| Gross profit | | 159 | - |
| Other operating income/(loss) | 5.3 | (874) | 5 |
| Gain on re-measurement of equity interest at fair value | 5.1, 6.2 | 11,648 | - |
| Technology expenses | | (5,717) | (514) |
| Corporate expenses | | (3,072) | (1,649) |
| Finance costs | | (6) | - |
| Share of profit/(loss) of an associate and a joint venture | 5.1 | (82) | (119) |
| Profit/(loss) before tax from continuing operations | | 2,056 | (2,277) |
| Income tax benefit (expense) | 7 | 1,263 | - |
| Profit/(loss) after tax from continuing operations | | 3,319 | (2,277) |
| Discontinued operations | | | |
| Profit/(loss) after tax for the period from discontinued operations | 8 | 2,294 | 241 |
| Profit/(loss) for the period | | 5,613 | (2,035) |
| Attributable to: | | | |
| Owners of PPK Group Limited | | 7,612 | (1,838) |
| Non-Controlling Interest | | (1,999) | (197) |
| | | 5,613 | (2,035) |
| 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 | | 5,613 | (2,035) |
| Total comprehensive income/(loss) for the period is attributable to: | | | |
| Owners of PPK Group Limited | | 7,612 | (1,838) |
| Non-controlling interest | | (1,999) | (197) |
| | | 5,613 | (2,035) |
| Earnings per share | | cents | cents |
| Basic attributable to owners of PPK Group Limited | | 6.3 | (2.4) |
| Diluted attributable to owners of PPK Group Limited | | 6.3 | (2.4) |
| Earnings per share from continuing operations | | | |
| Basic attributable to owners of PPK Group Limited | | 3.7 | (2.6) |
| Diluted attributable to owners of PPK Group Limited | | 3.7 | (2.6) |
| Earnings per share from discontinued operations | | | |
| Basic attributable to owners of PPK Group Limited | | 2.6 | 0.3 |
| Diluted attributable to owners of PPK Group Limited | | 2.6 | 0.3 |

The above consolidated statement of profit or loss and other 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 2021**

| | Notes | 31 December 2021 \$000 | 30 June 2021 \$000 |
|---|-------|------------------------------|--------------------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | | 56,590 | 30,365 |
| Trade and other receivables | | 2,229 | 1,721 |
| Inventories | | 209 | - |
| Other current assets | 9 | 1,903 | 110 |
| Current Disposal Group assets | 8 | 29,229 | 28,734 |
| | | <u>90,160</u> | <u>60,930</u> |
| Non-current assets | | | |
| Investments in associates and a joint venture – equity accounted | 10 | 13,084 | 28,126 |
| Investments | 11 | 4,036 | 4,472 |
| Property, plant and equipment | 12 | 4,335 | 530 |
| Right-of-use assets | | 305 | - |
| Intangible assets | 13 | 5,964 | 1,622 |
| Investment property | 14 | 4,179 | - |
| Goodwill | 6.2 | 29,271 | - |
| Deferred tax assets | 7 | 2,012 | 922 |
| | | <u>63,186</u> | <u>35,672</u> |
| Total assets | | 153,346 | 96,602 |
| Liabilities and equity | | | |
| Current liabilities | | | |
| Trade and other payables | | 732 | 357 |
| Lease liabilities | | 89 | - |
| Interest-bearing loans and borrowings | | 495 | 399 |
| Provisions | | 247 | 134 |
| Tax liability | 7 | 1,671 | - |
| Disposal Group liabilities | 8 | 8,366 | 7,435 |
| | | <u>11,600</u> | <u>8,325</u> |
| Non-current liabilities | | | |
| Lease liabilities | | 196 | - |
| Provisions | | 81 | 13 |
| Deferred tax liability | 7 | 828 | - |
| | | <u>1,105</u> | <u>13</u> |
| Total liabilities | | 12,705 | 8,338 |
| Net assets | | 140,641 | 88,264 |
| Equity | | | |
| Contributed equity | 18.1 | 75,665 | 75,348 |
| Treasury shares | 18.4 | (109) | (203) |
| Reserves | 19 | 38,369 | 19,068 |
| Reserves of a disposal group held for sale | | 350 | 350 |
| Retained earnings (accumulated losses) | | (7,188) | (17,915) |
| Capital and reserves attributable to owners of PPK Group Ltd | | 107,087 | 76,648 |
| Non-controlling interests | 17 | 33,554 | 11,616 |
| Total equity | | 140,641 | 88,264 |

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 2021**

| | Notes | 31 December 2021 \$000 | 31 December 2020 \$000 |
|--|-----------|------------------------------|------------------------------|
| Operating Activities | | | |
| Cash receipts from customers | | 22,954 | 20,654 |
| Cash payments to suppliers and employees | | (29,730) | (19,667) |
| Interest received | 5.1 | 82 | 4 |
| Net cash flows from (used in) operating activities | | (6,694) | 991 |
| Investing Activities | | | |
| Purchase of property, plant and equipment | | (5) | (149) |
| Purchase of investment property | 14 | (4,179) | - |
| Increase in cash from change in accounting from an associate to a subsidiary | | 8,672 | - |
| Proceeds from dividend from associate | | - | 362 |
| Payments for purchase of investments | | (520) | (1,555) |
| Payments for acquisition of an investment - AMAG | 6.5, 10.2 | (946) | - |
| Payments for acquisition of an investment - Survivon | 6.4, 10.1 | (4,593) | - |
| Payments for acquisition of an investment - Mask Innovation | 6.4 | (1,457) | - |
| Proceeds for sale of an investment - Mask Innovation | 6.4 | 1,457 | - |
| Proceeds from sale of property, plant and equipment | | 117 | 3 |
| Payments for intangible assets | | (2,421) | (1,213) |
| Net cash flows from (used in) investing activities | | (3,875) | (2,552) |
| Financing Activities | | | |
| Proceeds from capital raising | | - | 15,400 |
| Transaction cost related to capital raising | | - | (802) |
| Proceeds from capital raising - controlled entities | | 35,160 | 2,806 |
| Transaction cost related to capital raising - controlled entities | | (170) | (97) |
| Transaction cost on issue of shares | 18.2 | (14) | - |
| Proceeds from sale of treasury shares | 18.4 | 3,209 | - |
| Payment of lease liabilities | | (1,064) | (854) |
| Proceeds from borrowings | | 180 | - |
| Financing costs | | (23) | (113) |
| Loans to associates - loan advanced | | - | (373) |
| Loans to associates - loan repaid | | - | 100 |
| Payment of dividend by BNNTTL to non-controlling interests | 17 | (1,029) | - |
| Dividends paid | | - | (369) |
| Net cash flows from (used in) financing activities | | 36,249 | 15,698 |
| Net increase (decrease) in cash and cash equivalents | | 25,680 | 14,137 |
| Cash at the beginning of the financial period | | 30,910 | 5,344 |
| | | 56,590 | 19,481 |
| Cash attributable to discontinued operations | | - | - |
| Cash at the end of the financial period | | 56,590 | 19,481 |

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 2021

| | Notes | Issued Capital \$000 | Treasury Shares \$000 | Accumulated Losses \$000 | Capital Reserves \$000 | Reserve of Disposal Group Held for Sale \$000 | Attributable to Owners of PPK Group \$000 | Non-controlling Interest \$000 | Total Equity \$000 |
|--|-----------|----------------------------|-----------------------------|--------------------------------|------------------------------|---|--|--------------------------------------|--------------------------|
| At 1 July 2021 | | 75,348 | (203) | (17,915) | 19,068 | 350 | 76,648 | 11,616 | 88,264 |
| Total comprehensive income/(loss) for the half year | | | | | | | | | |
| Profit/(loss) for the period | | - | - | 7,612 | - | - | 7,612 | (1,999) | 5,613 |
| Total comprehensive income/(loss) for the half year | | - | - | 7,612 | - | - | 7,612 | (1,999) | 5,613 |
| Transactions with owners in their capacity as owners | | | | | | | | | |
| Issue of share capital for Long Term Incentive Plan | 18.2 | 331 | - | - | (331) | - | - | - | - |
| Transaction costs for issue of share capital | 18.2 | (14) | - | - | - | - | (14) | - | (14) |
| Treasury shares sold | 18.4 | - | 94 | 3,115 | - | - | 3,209 | - | 3,209 |
| Issue of service rights in a subsidiary | 17 | - | - | - | - | - | - | 579 | 579 |
| Reclassification of service rights in a subsidiary from previous year | 17, 19.1 | - | - | - | (65) | - | (65) | - | (65) |
| Non-controlling interest arising in BNNTTL's business combination | 17 | - | - | - | - | - | - | 5,843 | 5,843 |
| Net effect of PPK's interest in subsidiaries issued capital and reserves | 17, 19.2 | - | - | - | 16,680 | - | 16,680 | 18,353 | 35,033 |
| Change in non-controlling interest held by controlled entity | 6.1, 19.2 | - | - | - | 3,017 | - | 3,017 | 191 | 3,208 |
| Payment of dividend by BNNTTL to Non-controlling Interests | | - | - | - | - | - | - | (1,029) | (1,029) |
| At 31 December 2021 | | 75,665 | (109) | (7,188) | 38,369 | 350 | 107,087 | 33,554 | 140,641 |

For the six months ended 31 December 2020

| | | | | | | | | | |
|--|--|---------------|--------------|-----------------|--------------|----------|---------------|--------------|---------------|
| At 1 July 2020 | | 59,500 | (227) | (11,325) | 4,143 | - | 52,091 | 2,102 | 54,193 |
| Total comprehensive income for the half year | | | | | | | | | |
| Profit/(loss) for the period | | - | - | (1,838) | - | - | (1,838) | (197) | (2,035) |
| Total comprehensive income/(loss) for the half year | | - | - | (1,838) | - | - | (1,838) | (197) | (2,035) |
| Transactions with owners in their capacity as owners | | | | | | | | | |
| Issue of share capital on private placement | | 14,598 | - | - | - | - | 14,598 | - | 14,598 |
| Issue of share capital on dividend reinvestment plan | | 479 | - | - | - | - | 479 | - | 479 |
| Issue of performance rights | | 391 | - | - | (206) | - | 185 | - | 185 |
| Dividends paid | | - | - | (852) | - | - | (852) | - | (852) |
| Dividends paid - in specie distribution | | - | - | (2,202) | 1,939 | - | (263) | 263 | - |
| Capital raise in controlled entity | | - | - | - | 1,744 | - | 1,744 | 965 | 2,709 |
| Change in non-controlling interest held by controlled entity | | - | - | - | 224 | - | 224 | (224) | - |
| At 31 December 2020 | | 74,968 | (227) | (16,217) | 7,844 | - | 66,368 | 2,909 | 69,277 |

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 2021

1 Corporate information

The financial statements of PPK Group Limited ("PPK" or "the Group") for the six months ended 31 December 2021 were authorised for issue in accordance with a resolution of the Directors on 23 February 2022 and covers PPK Group Limited and its controlled entities as required by the Corporations 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"). PPK is registered in Queensland and has its head office at Level 27, 10 Eagle Street, Brisbane, Queensland, 4000.

The principal activity of the Group is the development and commercialisation of new technologies by:

- manufacturing 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 Zeta 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 (Advanced Mobility Analytics Group Pty Ltd and Survivon Limited).

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 2021 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 2021.

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 but excluding disposal group assets, has current assets of \$7.261M, of which \$6.322M are highly liquid;
- The Group, inclusive of 100% owned subsidiaries but excluding disposal group assets and liabilities, has net working capital of \$6.512M;
- The Group directly owns the following:
 - \$2.772M of cash;
 - 290.849M shares in Li-S Energy, an ASX listed company, with a market value circa \$300.000M, with the shares escrowed by the ASX until 24 September 2023;
 - 54.000M shares in White Graphene Limited, a company that has a pre-IPO capital value of \$36.760M, based on its last capital raise at \$0.40 per share in September 2021;
- The Group has a maximum \$4.000M debtor financing facility and \$2.250M mortgage available from a major bank;
- The Group has a history of strong support from the majority of shareholders and has expectations this will continue should further capital be required;
- 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 the 30 June 2021 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 2021. 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 2021, but do not have an impact on the interim condensed consolidated financial statements of the Group.

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 consolidated financial statements for the year ended 30 June 2021, unless otherwise stated. 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

The Group recognised \$0.059M in revenues from customers for sale of goods, nil for rendering of services and \$0.106M for rental income in the six months ended 31 December 2021. The Group recognised no revenues from customers for sale of goods, rendering of services or rental income in the six months ended 31 December 2020. Revenues with related companies are eliminated on consolidation and revenues by investments in associates are not recognised under Australian Accounting Standards.

Geographical markets

The Group primarily operates in Australia.

PPK GROUP LIMITED
Notes to the interim condensed consolidated financial statements
For the six months ended 31 December 2021

5 Segment information

5.1 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 segment is Technology which is the development and commercialisation of new technologies by:

- manufacturing 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 Zeta 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 (Advanced Mobility Analytics Group Pty Ltd and Survivon Limited).

| Reportable Segment | Notes | 31 December 2021 | | 31 December 2020 | |
|---|-------|------------------|----------------|------------------|----------------|
| | | Technology | Total | Technology | Total |
| | | \$000 | \$000 | \$000 | \$000 |
| Revenue from contracts with customers | | 59 | 59 | - | - |
| Total revenue | | 59 | 59 | - | - |
| Other income | | | | | |
| Share of profit/(loss) from associates and joint venture | 10.3 | (82) | (82) | (119) | (119) |
| Foreign exchange gain/(loss) on financial assets at Fair Value Through Profit or Loss | | 91 | 91 | (278) | (278) |
| | | 9 | 9 | (397) | (397) |
| Total revenue and other income | | 68 | 68 | (397) | (397) |
| Segment expenses include | | | | | |
| Cost of sales | | (6) | (6) | - | - |
| Administration expenses | | (4,839) | (4,839) | (208) | (208) |
| Share based payment expense for a subsidiary | | (513) | (513) | - | - |
| | | (5,358) | (5,358) | (208) | (208) |
| Earnings before interest, tax, depreciation and amortisation | | (5,290) | (5,290) | (605) | (605) |
| Depreciation and amortisation | | (364) | (364) | (28) | (28) |
| Interest expense | | (6) | (6) | - | - |
| Income tax expense (benefit) | | 1,263 | 1,263 | - | - |
| Segment profit/(loss) | | (4,397) | (4,397) | (633) | (633) |
| Reconciliation of segment profit/(loss) to group net profit before tax | | | | | |
| Amounts not included in segment profit/(loss) but reviewed by the Board: | | | | | |
| Gain on re-measurement of equity interest at fair value | 6.2 | | 11,648 | | - |
| Unrealised gain/(loss) on Fair Value Through Profit or Loss | | | (1,047) | | |
| Unallocated costs to defend a dispute of a business acquisition made in 2014 | | | (598) | | (221) |
| Rental income | | | 106 | | 21 |
| Interest (income) expense | | | 82 | | 4 |
| Unallocated corporate expense | | | (2,475) | | (1,219) |
| Unallocated share based payment expense | | | - | | (119) |
| Short-term leases | | | - | | (110) |
| Profit/(loss) before tax from continuing operations | | | 3,319 | | (2,277) |
| Segment assets (Note A) | | 74,812 | 74,812 | 45,858 | 45,858 |
| Unallocated (Note C) | | | 49,305 | | 19,202 |
| Total Assets | | 74,812 | 124,117 | 45,858 | 65,060 |
| Segment liabilities (Note B) | | 3,568 | 3,568 | 470 | 470 |
| Unallocated | | | 770 | | 433 |
| Total Liabilities | | 3,568 | 4,338 | 470 | 903 |

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.

Note C - Segment assets include the Group's fair value of intangible assets and goodwill (Note 6.2).

5.2 Reconciliation of total revenue

| | |
|---------------------------------------|------------|
| Revenue from contracts with customers | 59 |
| Rental income | 106 |
| Total revenue | 165 |

5.3 Reconciliation of other operating income

| | |
|---|--------------|
| Unrealised gain/(loss) on Fair Value Through Profit or Loss | (1,047) |
| Foreign exchange gain (loss) on financial assets at fair value through profit or loss | 91 |
| Interest (income) expense | 82 |
| Other operating income/(loss) | (874) |

PPK GROUP LIMITED
Notes to the interim condensed consolidated financial statements
For the six months ended 31 December 2021

6 Significant events and transactions

6.1 Li-S Energy IPO

Li-S Energy raised \$34.000M in a capital raising prior to its IPO, issued 40.000M shares at \$0.85 per share and listed on the Australian Stock Exchange on 28 September 2021.

Following the IPO and earlier funding rounds, Li-S Energy was well capitalised to pursue its commercial and research and development activities with \$52.900M in cash immediately following completion of the IPO. Of this, \$29.000M is for project expenditure with working capital of circa \$16.500M to fund potential expansion and/or acceleration of existing projects, commencement of new development projects and the pursuit and engagement in revenue generating opportunities through Original Equipment Manufacturer collaboration and partnerships.

Since the IPO, Li-S Energy has entered into collaboration agreements with Boeing's InSitu Pacific, to power Uncrewed Aircraft Systems, and with Janus Electric, to power their electric prime movers. Further testing on the Li-S Energy single layer lithium sulphur pouch cells with BNNT showed a performance increase to more than 1,100 charge/discharge cycles while retaining greater than 60% of initial capacity. Li-S Energy is also testing the first batch of multi-layer lithium sulphur pouch cells that were manufactured in-house and is testing a range of cells to prove the effectiveness of Li-Nanomesh in suppressing dendrite formation across a broad range of different operating scenarios, for potential use in the manufacture of extended life lithium metal batteries.

At 30 June 2021, the Group held a consolidated interest of 51.90% in Li-S Energy. In July 2021, BNNTTL sold 10.000M shares in Li-S Energy and in September 2021 Li-S Energy issued 40.000M shares in a capital raise prior to its IPO. As a result, the consolidated interest for the Group was reduced to 47.93% in Li-S Energy.

PPK's interest in the sale of Li-S Energy shares by BNNTTL has been recognised as an adjustment to the share premium reserve of \$3.017M (see Note 19.2) and an adjustment to the non-controlling interest of \$0.191M. As a result of the issuance of shares by Li-S Energy, PPK has recognised an adjustment to its share premium reserve of \$16.240M (see Note 19.2) and an adjustment to the non-controlling interest of \$17.633M (see Note 17).

6.2 Change in Accounting for BNNTTL from Equity Method for Accounting to a Accounting for it as a Subsidiary

As disclosed as an Event Subsequent to the End of the Reporting Period in the 30 June 2021 Financial Statements, on 4 August 2021, the Shareholders and Directors of BNNTTL executed a Deed of Variation of the 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 majority of votes cast by Shareholders; and
- Special Majority Decisions of the Board is 75%.

As a result of the above changes, PPK gained control of BNNTTL at 4 August 2021 and accounted for the change as a business combination in accordance with AASB 3 *Business Combinations*. The Group was required to re-measure its previously held equity interest in BNNTTL at fair value as at 4 August 2021 and recognise the resulting gain or loss in profit or loss. Following the business combination, PPK consolidates BNNTTL as a subsidiary and no longer accounts for its interest as a joint venture.

All accounting associated with the gaining of control of BNNTTL is provisional. Amounts related to the fair value of the previously held equity interest in BNNTTL, as well as the fair value and identification of acquired assets and liabilities is provisional. The Group expects to finalise these values prior to 30 June 2022. All amounts will be subsequently adjusted, if required, effective 4 August 2021.

To determine the resulting gain or loss and the value of the intangibles recognised, the Group performed the following three step process:

Step 1 - Re-measure previously held equity interest in a joint venture at its acquisition fair value and recognise the resulting gain or loss

| | Notes | 4 August 2021 |
|---|-------|----------------|
| | | \$000 |
| Fair value of equity interest in BNNTTL ⁽¹⁾ | | 35,357 |
| Less: Carrying value of investment in a joint venture | 10.1 | (23,709) |
| Gain on re-measurement of equity interest at fair value | 5.1 | 11,648 |
| Step 2 - Identify the fair value of identifiable net assets | | |
| Assets | | |
| Cash and cash equivalents | | 8,677 |
| Trade and other current assets | | 1,741 |
| Property, plant and equipment | | 2,798 |
| Intangibles | | 2,780 |
| Total assets | | 15,996 |
| Liabilities | | |
| Trade and other payables | | (643) |
| Income tax payable | | (2,715) |
| Deferred tax liability | | (709) |
| Total liabilities | | (4,067) |
| Fair value of identifiable net assets acquired | | 11,929 |
| Step 3 - Calculate the amount of goodwill acquired | | |
| Consideration transferred | | 35,357 |
| Less: Fair value of BNNTTL's identifiable net assets acquired | | (11,929) |
| | | 23,428 |
| Non-controlling interest in BNNTTL, based on proportionate share of identifiable net assets | | 5,843 |
| Goodwill | | 29,271 |

The net assets and non-controlling interest recognised at the date of the business combination are based on a provisional assessment of the fair value of the identifiable net assets while the Group completes its identification of identifiable intangible assets and fair value assessment. In addition, the fair value of the previously held equity interests in BNNTTL is provisional while the Group completes its fair value assessment.

(1) The fair value of the equity interest in BNNTTL has been determined on a provisional basis at 31 December 2021. Where the Group owns an associate or joint venture which has a holding in a subsidiary, the Parent's interest in the subsidiary is determined based on both the directly held interest and the effective interest indirectly held by the associate or joint venture (a look through approach). Accordingly, in accounting for the business combination of BNNTTL, the fair value of the previously held equity interest in BNNTTL, the identifiable net assets of BNNTTL acquired, and non-controlling interest in BNNTTL will be adjusted to exclude BNNTTL's interest in Li-S Energy and White Graphene.

If BNNTTL had been acquired on 1 July 2021, revenue for the Group to 4 August 2021 would have been nil and the Group would have recognised a pre-tax loss of \$0.235M (Note 10.3). The Group received a fully franked interim dividend of \$1.171M from BNNTTL on 22 December 2021.

PPK GROUP LIMITED
Notes to the interim condensed consolidated financial statements
For the six months ended 31 December 2021

6 Significant events and transactions (continued)

6.3 Accounting for Investment in White Graphene

At 30 June 2021, the Group held a consolidated interest of 64.4% in White Graphene. In September 2021, White Graphene issued 4.900M shares at \$0.40 per share and PPK acquired 2.000M shares and the consolidated interest was decreased to 63.26% in White Graphene.

As a result of the issuance of shares by White Graphene, PPK has recognised an adjustment to its share premium reserve of \$0.440M (see Note 19.2) and an adjustment to the non-controlling interest of \$0.720M (see Note 17).

6.4 Accounting for Investment in Survivon Limited

On 3 August 2021, the Group incorporated Mask Innovation Pty Ltd (MI). On 26 August 2021, MI purchased the assets and business from a company that was manufacturing personal protective equipment and MI continued to manufacture masks in the manufacturing plant. The purchase of assets and business was accounted for under AASB 3 *Business Combinations*. As the business was acquired exclusively with a view to subsequent disposal, the assets acquired were measured at fair value less costs to sell being \$1.457M.

On 25 August 2021, the Group acquired the land and building where the previous mask manufacturing company operated for \$4.179M, cancelled the previous lease and entered into a new lease with MI (see Note 22.1).

On 21 September 2021, the Group acquired 47.62% of the shares in Survivon Limited, a company that owns the intellectual property for a ultra-thin / nano-scale coating of 99.95% pure copper applied to the surface of the fabrics using a vapour deposition process. The technology will be applied to manufacture anti-viral, anti-bacterial face masks made by MI and can be applied to other materials in the future. The Group sold 100% of the shares in MI to Survivon at cost of \$1.457M plus additional cash of \$3.043M for a total consideration of \$4.500M. The detail of the investment are disclosed in Note 10.1.

In selling the shares of MI and forming the joint venture, the Group has not recognised a gain on disposal.

A condition of the Shareholders Agreement is that the Group agrees to make available a finance facility with a finance institution, on a best endeavours basis, up to the amount of \$5.000M for working capital purposes on terms to be agreed.

6.5 AMAG

The Group has invested a further \$0.946M in AMAG and owns 26.45% as at 31 December 2021 and continues to account for it as an associate using the equity method. The Group has a further commitment to acquire an additional 4.55% of AMAG over the next six month period (see Note 15).

| | Notes | 31 December 2021 \$000 | 30 June 2021 \$000 |
|---------------------------------------|-------|------------------------------|--------------------------|
| 7 Income Tax Benefit (Expense) | | 1,263 | - |

The components of consolidated tax benefit of \$1.263M (December 2020: Nil) comprise net current tax of \$0.154M pertaining to BNNTTL and Li-S Energy, deferred tax of \$1.163M pertaining to BNNTTL and Li-S Energy and an over provision of \$0.054M pertaining to BNNTTL for the prior years.

The components of deferred tax assets recognised in the Statement of Financial Position of \$2.012M (June 2021: \$0.922M) comprise tax losses of \$1.084M and temporary differences of \$0.928M for Li-S Energy. The deferred tax assets include the amount of \$0.220M relating to capital raising costs recognise directly in equity and the balance of \$0.655M was recognised in profit or loss.

The current tax liability recognised in the Statement of Financial Position of \$1.671M (June 2021: Nil) pertains to BNNTTL and comprises tax liabilities of \$3.425M offset by tax losses carried forward of \$1.754M.

The deferred tax liability recognised in the Statement of Financial Position of \$0.828M (June 2021: Nil) pertains to BNNTTL.

PPK GROUP LIMITED
Notes to the interim condensed consolidated financial statements
For the six months ended 31 December 2021

8 Disposal Group assets held-for-sale

On 22 June 2021, the Board resolved to demerge the PPK mining equipment business (PPKME). As a result, at 30 June 2021 PPKME was classified as a Disposal Group assets held-for-sale and the Mining Equipment segment was no longer presented in the segment note. The Group is currently engaging with legal, tax and financial advisers with a view to distribute the shares in PPKME on a pro rata basis as a tax free return of capital and/or tax free dividend. PPK expects to engage with the ASX, ASIC and the ATO to further explore and develop this approach.

PPKME would then operate as a separate unlisted public company with its own directors and management.

The results for the Disposal Group for the period are presented below:

| | Notes | 31 December 2021 \$000 | 31 December 2020 \$000 |
|---|-------|------------------------------|------------------------------|
| Statement of Profit or Loss | | | |
| Revenue from contracts with customers | | 19,380 | 17,525 |
| Rental income | | 617 | 365 |
| | | <u>19,997</u> | <u>17,890</u> |
| Other income | | 34 | 61 |
| Total revenue and other income | | <u>20,031</u> | <u>17,951</u> |
| Cost of sales | | (15,140) | (13,874) |
| Employee expenses | | (1,459) | (1,206) |
| Share based payment expense | | - | (93) |
| Administration expense | | (1,075) | (1,061) |
| Short-term lease payments | | - | (188) |
| Depreciation and amortisation | | - | (1,203) |
| Interest expense | | (63) | (84) |
| Total expenses | | <u>(17,737)</u> | <u>(17,709)</u> |
| Profit/(loss) before income tax expense from discontinued operations | | <u>2,294</u> | <u>241</u> |
| Income tax expense (benefit) attributable to profit | | - | - |
| Profit/(loss) after income tax expense from discontinued operations | | <u>2,294</u> | <u>241</u> |

There have been no changes in the accounting policies disclosed in Note 13 in the 30 June 2021 Consolidated Financial Statements.

| | Notes | 31 December 2021 \$000 | 30 June 2021 \$000 |
|--|-------|------------------------------|--------------------------|
| Statement of Financial Position | | | |
| Assets | | | |
| Cash | | - | 545 |
| Trade and other current assets | | 7,484 | 6,947 |
| Inventories | | 11,049 | 11,427 |
| Fixed assets | | 6,451 | 6,363 |
| Intangibles | | 4,245 | 3,452 |
| Assets held-for sale | | <u>29,229</u> | <u>28,734</u> |
| Liabilities | | | |
| Creditors and provisions | | (7,132) | (5,358) |
| Lease liabilities | | (1,234) | (2,077) |
| Liabilities directly associated with assets-held-for sale | | <u>(8,366)</u> | <u>(7,435)</u> |
| Net assets directly associated with Disposal Group | | <u>20,863</u> | <u>21,299</u> |

The net cash flows incurred by PPKME are:

| | | |
|---|----------------|--------------|
| Cash at the beginning of the financial period | 545 | 974 |
| Net cash inflow (outflow) from operating activities | 3,364 | 1,965 |
| Net cash inflow (outflow) from investing activities | (712) | (870) |
| Net cash inflow (outflow) from financing activities | (4,550) | (581) |
| Cash at the end of the financial period | <u>(1,353)</u> | <u>1,488</u> |

If PPKME was not classified as a Disposal Group, the depreciation and amortisation of the fixed assets and right-of-use assets would have been \$1.323M in this period.

| | Cents | Cents |
|--------------------------------------|-------|-------|
| Earnings per share | | |
| Basic from discontinued operations | 2.6 | 0.3 |
| Diluted from discontinued operations | 2.6 | 0.3 |

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. There has been no change during the period.

| | Notes | 31 December 2021 \$000 | 30 June 2021 \$000 |
|---------------------------------|-------|------------------------------|--------------------------|
| 9 Other assets - current | | | |
| Prepayments | | 1,729 | 110 |
| Deposits | | 153 | - |
| Other | | 21 | - |
| | | <u>1,903</u> | <u>110</u> |

Prepayments consist of insurance premiums of \$0.610M (June 2021: \$0.110M), consulting fees of \$0.580M paid to related parties (June 2021: Nil) (see Note 22.5), Deakin University research and development costs of \$0.375M (June 2021: Nil), ASX fees of \$0.076M (June 2021: Nil) and other costs of \$0.088M (June 2021: Nil). The deposits of \$0.153M are upfront payments for equipment purchases that have been ordered by a subsidiary but not yet delivered.

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| | Notes | 31 December 2021 \$000 | 30 June 2021 \$000 |
|----|---|------------------------------|--------------------------|
| 10 | Investments in associates and a joint venture - equity accounted | 13,084 | 28,126 |

| | | |
|--|-------|--------|
| 10.1 Investments in a joint venture | 4,593 | 20,735 |
|--|-------|--------|

| | |
|--|-----------------|
| Summarised statement of financial position | Survivon |
| | \$000 |
| Investment made | 4,500 |
| Loan advances and/or interest capitalised | 93 |
| Share of profit/(loss) | - |
| Carrying amount at the end of the period | 4,593 |
| Summarised statement of profit (loss) | |
| Revenue from contracts with customers for the period from acquisition to 31 December 2021 | - |
| Profit/(loss) for the period from acquisition to 31 December 2021 | - |
| Total comprehensive income/(loss) from acquisition to 31 December 2021 (continuing operations) | - |
| Group's share of profit/(loss) from acquisition to 31 December 2021 | - |

As per Note 6.3, the Group acquired a 47.62% interest in Survivon on 21 September 2021.

The Group has executed a Shareholders Agreement with the other shareholders that requires unanimous approval of the board or shareholders for most decisions. As a result, the Group has concluded that all shareholders jointly control the business and the Group equity accounts for its interest in Survivon in accordance with AASB 128 *Investments in Associates and Joint Ventures* as an investment in a Joint Venture.

The Group's share of the fair values of the identifiable assets and liabilities of Survivon as at the date of the acquisition, being 21 September 2021, are provisional amounts and were based on management's estimates while the Group completes its identification of identifiable intangible assets and its fair value assessment.

| | |
|---|-------|
| Investment in Survivon | |
| Cash | 2,805 |
| Current assets | 462 |
| Non-current assets | 6,183 |
| Current liabilities | - |
| Purchase consideration transferred | 9,450 |
| Group's share in equity - 47.62% | 4,500 |
| Purchase consideration transferred | |
| Cash | 2,355 |
| Current assets | 462 |
| Non-current assets | 1,683 |
| | 4,500 |

Survivon has acquired the intellectual property, research and development for antimicrobial materials technology utilising metallized coatings applied via physical vapour deposition to antimicrobial textile and non-woven applications. Survivon recognises this intellectual property as an intangible asset.

Investment in BNNT Technology

| | | |
|--|--------------|--------|
| Carrying amount at the start of the period | 20,735 | 19,236 |
| Loan and capitalised interest repayment | - | (230) |
| Share of profit/(loss) | (234) | (158) |
| Increase in carrying amount for share of proceeds on sale of investment in Li-S Energy | 3,208 | 1,887 |
| Carrying amount of investment in joint venture held by Group as at 4th August 2021 | 23,709 | 20,735 |
| Business combination of BNNTTL | 6.2 (23,709) | - |
| | - | 20,735 |

| | | |
|---------------------------------------|--------------|--------------|
| 10.2 Investments in associates | 8,491 | 7,391 |
|---------------------------------------|--------------|--------------|

| | | |
|--|-------|-------|
| Consolidated - 31 December 2021 | | |
| Carrying amount at the start of the period | 7,391 | 5,200 |
| Investments made | 946 | 1,500 |
| Loan advances and/or interest capitalised | 1 | 691 |
| Share of profit/(loss) | 153 | - |
| Carrying amount at the end of the period | 8,491 | 7,391 |

10.3 Share of profit/(loss) of an associate and a joint venture

The share of (loss) of an associate and a joint venture of \$0.082M includes the gain for this period from investments in associates of \$0.153M and the loss from BNNTTL of \$0.235M for the period from 1 July 2021 to 4 August 2021 when it ceased to be accounted for as a joint venture (Note 6.2).

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| | Notes | 31 December 2021 \$000 | 30 June 2021 \$000 |
|--|--------------------------------------|------------------------------|--------------------------|
| 11 | Investments | 4,036 | 4,472 |
| Financial assets at FVTPL | | | |
| Listed equity investments | | 1,687 | 2,214 |
| Unlisted equity investments | | 2,349 | 2,258 |
| | | <u>4,036</u> | <u>4,472</u> |
| 12 | Property, plant and equipment | 4,335 | 530 |
| Land and buildings - at cost | | 1,500 | 1,500 |
| Less: Accumulated depreciation | | (67) | (67) |
| | | <u>1,433</u> | <u>1,433</u> |
| Reclassified to Disposal Group | | (1,433) | (1,433) |
| Total - Land and buildings | | <u>-</u> | <u>-</u> |
| Property, plant and equipment - at carrying amount | | 9,275 | 9,450 |
| Less: Accumulated depreciation | | (643) | (6,059) |
| Less: Government grant | | (1,400) | - |
| | | <u>7,232</u> | <u>3,391</u> |
| Reclassified to Disposal Group | | (2,897) | (2,861) |
| Total - Property, plant and equipment | | <u>4,335</u> | <u>530</u> |
| | | <u>4,335</u> | <u>530</u> |
| 13 | Intangibles | 5,964 | 1,622 |
| Development Costs | | | |
| Carrying amount at the start of the period | | 5,074 | 3,038 |
| Additions | | 2,421 | 2,116 |
| Additions through business combinations | 6.2 | 2,780 | - |
| Disposals | | - | - |
| Amortisation expense and impairment | | (66) | (80) |
| | | <u>10,209</u> | <u>5,074</u> |
| Reclassified to Disposal Group | | (4,245) | (3,452) |
| | | <u>5,964</u> | <u>1,622</u> |
| Not yet ready for use | | <u>5,964</u> | <u>1,622</u> |
| 14 | Investment property | 4,179 | - |
| Investment property - at cost | | 4,179 | - |
| Less: accumulated depreciation | | - | - |
| | | <u>4,179</u> | <u>-</u> |
| Investment Property | | | |
| Carrying amount at the start of the period | | - | - |
| Additions | | 4,179 | - |
| Disposals | | - | - |
| Depreciation expense and impairment | | - | - |
| Total - Investment property | | <u>4,179</u> | <u>-</u> |

The investment property is initially measured at cost, including transaction costs. Subsequent to initial recognition, the investment property is carried at cost less depreciation and any impairment losses. Subsequent costs are included in the asset's carrying amount only when it is probable that future economic benefits associated with the asset will flow to the Group. Depreciation on the investment property is calculated on a straight line basis over the estimated useful life of 25 years. Land is not depreciated.

The assets residual values and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

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15 Liabilities, commitments and other contingencies

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

- \$0.359M (2020: \$0.359M) for a property lease; and
- \$0.100M (2020: \$0.100M) for completion of a property development.

Available financing facilities 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.
- a mortgage up to a maximum of \$2.250M from a major Australian bank secured against a property which has a lease to MI

Non-bank guarantees and indemnities include:

- 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, commitments and loans:

- \$0.298M for a loan facility to fund the development project undertaken by BNNT Precious Metals Limited, \$0.081M drawn down at 31 December 2021
- \$0.500M for a loan facility to fund the development project undertaken by Strategic Alloys Pty Ltd, \$0.356M drawn down at 31 December 2021
- \$0.065M for a loan to fund the development project undertaken by Ballistic Glass Pty Ltd at 31 December 2021
- \$0.254M for a loan to fund the development project undertaken by 3D Dental Technology Pty Ltd at 31 December 2021
- \$0.400M for a loan to fund working capital for Craig International Ballistics Pty Ltd (CIB) at 31 December 2021
- \$0.750M investment in AMAG to be made in three equal amounts at the end of February 2022, April 2022 and June 2022 in which it will increase its investment in AMAG by 0.057M shares in each tranche and hold a total of 31.0% of AMAG on the completion of the capital raise
- \$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.
- 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 shares 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.

Survivor has a commitment of Euros 1.814M for the purchase and installation of a high vacuum coating system for MI's manufacturing plant.

The related party loans for development projects are fixed at 4.52% for the year ended 30 June 2022, repayable 36 months from the date of the initial loan advance or such other date as agreed in writing. The loan to CIB is fixed at 4.52% and is repayable on or before 31 March 2022 or such other date as agreed in writing. The loans are all considered to be recoverable as at 31 December 2021.

16 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).

Group December 2021

Non-current assets

Listed equity securities
Unlisted equity securities

Group June 2021

Non-current assets

Listed equity securities
Unlisted equity securities

| | Level 1 | Level 2 | Level 3 | Total |
|----------------------------|---------|---------|---------|-------|
| | \$000 | \$000 | \$000 | \$000 |
| Listed equity securities | 1,687 | - | - | 1,687 |
| Unlisted equity securities | - | - | 2,349 | 2,349 |
| | 1,687 | - | 2,349 | 4,036 |
| Listed equity securities | 2,214 | - | - | 2,214 |
| Unlisted equity securities | - | - | 2,258 | 2,258 |
| | 2,214 | - | 2,258 | 4,472 |

There were no changes in the Company's valuation processes, valuation techniques and types of inputs used in the fair value measurements during the period.

The Level 3 fair value assessment of unlisted equity securities has been based on a confirmation received from Zeta Energy LLC at 31 December 2021 that Li-S Energy holds a membership interest of 2.0467% of Zeta Energy LLC and, based on the most recent capital raise completed on or about 1 November 2021, the amount per share in United States Dollars has been converted to Australian Dollars at the prevailing exchange rate of \$0.7256 at 31 December 2021.

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| | Notes | 31 December 2021 \$000 | 30 June 2021 \$000 |
|---|---------------------------------|------------------------------|--------------------------|
| 17 | Non-controlling interest | 33,554 | 11,616 |
| <i>Movements in non-controlling interests</i> | | | |
| Opening balance | | 11,616 | 2,102 |
| Share of profit/(loss) | | (1,999) | (839) |
| Non-controlling interest arising in BNNTTL's business combination | 6.2 | 5,843 | - |
| Issue of performance rights in PPK | | - | 61 |
| Issue of service rights in a subsidiary | | 514 | - |
| Reclassification of service rights in a subsidiary from previous year | 19.1 | 65 | - |
| Net proceeds from capital raise in subsidiary | | - | 10,065 |
| Net proceeds from dividends received - in specie | | - | 263 |
| Net effect of PPK's interest in Li-S Energy's issued capital | 6.1 | 17,633 | (224) |
| Net effect of PPK's interest in White Graphene's issued capital | 6.3 | 720 | - |
| Payment of dividend by BNNTTL to non-controlling interests | | (1,029) | - |
| Change in non-controlling interest held by controlled entity | 6.1 | 191 | 188 |
| | | <u>33,554</u> | <u>11,616</u> |

| | | | |
|---|----------------------|---------------|---------------|
| 18 | Share capital | 75,665 | 75,348 |
| <i>18.1 Issued capital</i> | | | |
| 89.289M (June 2021: 89,052M) ordinary shares fully paid | | 75,665 | 75,348 |
| <i>Movements in ordinary share capital</i> | | | |
| Opening balance | | 75,348 | 59,500 |
| New shares issued, net of transaction costs | | - | 14,597 |
| Shares issued from dividend reinvestment plan | | - | 479 |
| Shares issued for Long Term Incentive Plan | | 317 | 772 |
| Closing balance | | <u>75,665</u> | <u>75,348</u> |

18.2 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 | | 15,400 |
| Less transaction costs for issued share capital | | (803) |
| | | <u>14,597</u> |
| Issued from dividend reinvestment plan | | 483 |
| Less transaction costs for issued share capital | | (4) |
| | | <u>479</u> |
| Issue to Long Term Incentive Plan Trust Account | 331 | 784 |
| Less transaction costs for issued share capital | (14) | (12) |
| | <u>317</u> | <u>772</u> |

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.

| | 31 December 2021 No. of Shares | 30 June 2021 No. of Shares |
|--|--------------------------------------|----------------------------------|
| 18.3 Share movements | | |
| <i>Movements in number of ordinary shares</i> | | |
| Balance at the beginning of the financial year | 89,051,793 | 85,620,743 |
| New shares issued | 237,500 | 3,431,050 |
| | <u>89,289,293</u> | <u>89,051,793</u> |

18.4 Treasury share movements

| | 31 December 2021 | | 30 June 2021 | |
|--|------------------|--------------|----------------|--------------|
| | No. of Shares | \$000 | No. of Shares | \$000 |
| Opening balance of treasury shares | 454,367 | (203) | 696,771 | (227) |
| Shares purchased in the Dividend Reinvestment Plan | - | - | 4,367 | (57) |
| Shares sold | (204,367) | 94 | (246,771) | 81 |
| Closing balance of treasury shares | <u>250,000</u> | <u>(109)</u> | <u>454,367</u> | <u>(203)</u> |

The Group realised proceeds of \$3.209M from the sale of treasury shares which have been recognised as an adjustment to equity.

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| | Notes | 31 December 2021 \$000 | 30 June 2021 \$000 |
|------------------------------|-------------------------|------------------------------|--------------------------|
| 19 | Capital reserves | 38,369 | 19,068 |
| Share option reserve | | - | 396 |
| Share premium reserve | | 36,430 | 16,733 |
| Dividend revaluation reserve | | 1,939 | 1,939 |
| | | <u>38,369</u> | <u>19,068</u> |

Movement in reserves

19.1 Share options reserve

| | | | |
|---|----|----------|------------|
| Opening balance | | 396 | 869 |
| Issue of performance rights in a subsidiary | | - | 311 |
| Shares transferred to trust for Long Term Incentive Plan | | (331) | (784) |
| Reclassification of service rights in a subsidiary from previous year | 17 | (65) | - |
| Closing balance | | <u>-</u> | <u>396</u> |

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.

19.2 Share premium reserve

| | | | |
|--|-----|---------------|---------------|
| Opening balance | | 16,733 | 2,924 |
| Adjustment in PPK's interest in Li-S Energy's capital raise | 6.1 | 16,240 | 12,102 |
| Adjustment in PPK's interest in White Graphene's capital raise | 6.3 | 440 | 1,707 |
| Adjustment for BNNTTL's sale of Li-S Energy shares | 6.1 | 3,017 | - |
| Closing balance | | <u>36,430</u> | <u>16,733</u> |

The share premium reserve is used to recognise gains and losses on the change of PPK's interest in subsidiaries that do not result in a change of control. During the period, PPK's interest in Li-S Energy's and White Graphene has decreased due to capital raises and share disposal transactions to non-controlling interests. As these changes did not result in PPK losing control, the corresponding gains were recognised in the share premium reserve.

19.3 Dividend revaluation reserve

| | | | |
|--|--|--------------|--------------|
| Opening balance | | 1,939 | - |
| Revaluation of dividend issued from in specie distribution of Li-S Energy Limited shares | | - | 2,219 |
| In specie distribution of Li-S Energy Limited shares given to non-controlling interests | | - | (263) |
| In specie distribution of Li-S Energy Limited shares given to treasury shares | | - | (17) |
| Closing balance | | <u>1,939</u> | <u>1,939</u> |

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).

20 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 | 3,319 | (2,277) |
| Earnings used in calculating Basis and Diluted earnings per share from discontinued operations | <u>2,294</u> | <u>241</u> |
| Profit / (loss) for the period | <u>5,613</u> | <u>(2,036)</u> |

| | No. of Shares | No. of Shares |
|---|---------------|---------------|
| Weighted average number of ordinary shares used in calculating of Basic earnings per share | 89,198,940 | 86,138,614 |
| Weighted average number of potential ordinary shares outstanding during the period used in calculating Diluted earnings per share | 89,198,940 | 86,643,614 |

Earnings per share

| | | |
|--|-------|-------|
| Basic attributable to owners of PPK Group Limited | cents | cents |
| Diluted attributable to owners of PPK Group Limited | 6.3 | (2.4) |
| Earnings per share from continuing operations | 6.3 | (2.4) |
| Basic attributable to owners of PPK Group Limited | 3.7 | (2.6) |
| Diluted attributable to owners of PPK Group Limited | 3.7 | (2.6) |
| Earnings per share from discontinued operations | | |
| Basic attributable to owners of PPK Group Limited | 2.6 | 0.3 |
| Diluted attributable to owners of PPK Group Limited | 2.6 | 0.3 |

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21 Distributions made and proposed

| | Notes | 31 December 2021 \$000 | 30 June 2021 \$000 |
|--|-------|------------------------------|--------------------------|
|--|-------|------------------------------|--------------------------|

Dividends to the equity holders of the parent:

Dividends on ordinary shares declared and paid:

| | | |
|--|---|-------|
| Interim dividend 2021: Nil (2020: 0.0 cents per share fully franked) | - | - |
| Final dividend 2020: 1.0 cents per share fully franked (2019: 1.0 cents per share fully franked) | - | 859 |
| Special dividend 2021: 2.5 cents per share fully franked paid as in specie distribution of shares in Li-S Energy Limited | - | 2,219 |

22 Related party disclosures

22.1 Group related party agreements with subsidiaries

- with BNNTTL and Deakin University, there is a Joint Venture Agreement 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 2021 Annual Report.
- for White Graphene, there is a Shareholders Deed with Deakin University and BNNTTL which sets out the respective rights and obligations of the shareholders as members of White Graphene and the arrangement for the management, control and funding of the company.
- with BNNTTL and Deakin University, there was Shareholders Deed which was terminated on 20 July 2021. This Deed set out the respective rights and obligations of the shareholders as members of BNNTTL and the arrangements for the management, control and funding of BNNTTL.
- with Li-S Energy there is a Management Service Agreed in which PPK Aust will provide agreed administrative support services to Li-S Energy. The agreement expires on 30 April 2024 and can be renewed by PPK Aust for a further 3 year term upon PPK Aust providing notice no later than 3 months prior to expiry of the initial term. PPK may terminate the agreement by providing 30 days notice if it is not satisfied with Li-S Energy's Annual Plan. Li-S Energy may terminate the agreement at will on 6 months notice. The scope of management services to be provided, the performance and the fee is subject to review every 3 months. In addition, PPK Aust will receive a funding fee of up to 1% of any debt or capital raised that it facilitates. Li-S Energy indemnifies PPK Aust for any loss that arises from the performance by PPK Aust of its obligations under the agreement. The remainder of the agreement is on the usual commercial terms for a contract of this nature.
- with CIB, the Group has provided a short term loan of \$0.400M for working capital purposes at an interest rate of 4.52% for this financial year. Subsequent to the end of this reporting period, the Group has provided for additional loans for working capital purposes, see Note 24.
- with Survivon there is a lease for the property for the manufacturing plant which commenced on 27 August 2021 for a three year period with two three year option periods. The annual rent is \$0.240M plus all outgoings with annual CPI increases on the lease anniversary and a market review at the end of each option period. Rent received for the period was \$0.083M.

22.2 Subsidiary agreements with related parties

22.2.1 BNNTTL agreements with Deakin University

- a Technology License Agreement for an exclusive global 20 year licence, expiring 31 May 2038, to commercialise the 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 for the premises at Waurin Pond, Geelong to expire 31 May 2022. A condition of this agreement is that BNNTTL has the following commitments:
 - 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.

22.2.2 BNNTTL agreements with Li-S Energy

- a Supply Agreement entered into 9 July 2021 for the supply of BNNT with a 95% purity for the purposes of Li-S Energy's development, testing and manufacture of Li-S Energy batteries. The initial term of the contract is to 8 July 2026 with automatic 2 year renewals with Li-S Energy having the option to terminate by giving 3 months notice prior to the latest term. The remainder of the agreement is on the usual commercial terms for a contract of this nature.
- a Distribution Agreement with Li-S Energy Limited entered into 9 July 2021 whereby Li-S has certain worldwide exclusive distribution rights for BNNT products for permitted purposes. The initial term of the contract is for a 5 year period with automatic 2 year renewals with Li-S Energy having the option to terminate by giving 3 months notice prior to the latest term. The remainder of the agreement is on the usual commercial terms for a contract of this nature.

22.2.3 Li-S Energy agreements with related parties

- with Deakin University, there is a Research Framework Agreement with Deakin which governs all research projects conducted between Li-S Energy and Deakin as set under any Project Schedules made under the agreement. The agreement commenced on 8 July 2021 and continues until terminated. Project Schedules will be for research projects proposed and negotiated by the parties and may include terms around payment, steering committees, specified personnel and insurance required. Each party retains ownership of its respective intellectual property developed or acquired prior to the date a Project commences but any new intellectual property created, developed or discovered in the conduct of a Project vest in Li-S Energy. Deakin is required to seek consent from Li-S Energy prior to publishing any part of the Project IP.
- With Glenn Molloy, a Group Director, there is a Consultancy Agreement to provide services through his consultancy company to 11 June 2023 at a daily rate to be agreed between the parties.

22.3 Group related party agreements with associates

- with Strategic Alloys, BNNT Precious Metals, Ballistic Glass, CIB and Survivon there are Shareholder Deeds with each shareholder that sets out the respective rights and obligations of the shareholders and the arrangement for the management, control and funding of the company. An additional condition of the Shareholders Agreement with Survivon is that the Group agrees to make available a finance facility with a finance institution up to the amount of \$5.000M, on a best endeavours basis, for working capital purposes on terms to be agreed.

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22 Related party disclosures (continued)

22.4 Associate agreements with related parties

- with White Graphene, Strategic Alloys, BNNT Precious Metals, 3D Dental and Ballistic Glass there are Research and Development Agreements with Deakin University to provide agreed services for each development project.

22.5 Other related party transactions

Sale of goods by subsidiary to:

| Notes | 31 December 2021 \$000 | 31 December 2020 \$000 |
|--|------------------------------|------------------------------|
| Subsidiaries | 111 | 207 |
| Associates | 9 | 9 |
| Total revenue from contracts with related parties | 120 | 216 |

On 4 August 2021, BNNTTL ceased to be a joint venture and became a subsidiary (see Note 6.2).

Related parties of White Graphene charged consulting services of \$1.160M in relation to the proposed initial public offering of the company for the year. White Graphene has recognised \$0.580M as an expense for the reporting period and \$0.580M is recorded as a prepaid expense (see Note 9).

Group interest bearing loans to:

| Notes | 31 December 2021 \$000 | 30 June 2021 \$000 |
|--------------------|------------------------------|--------------------------|
| Joint venture | - | - |
| Subsidiaries | 692 | 399 |
| Associates | 465 | - |
| Total loans | 1,157 | 399 |

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.

See Note 24 for loans made subsequent to the end of the reporting period.

23 COVID-19 update

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 behaviour, 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, State and Federal Governments have imposed restrictions which have, and may, disrupt the operations of the Group. The Group's main operations for its subsidiaries are at Deakin University's campus located at Geelong, Victoria and for its associates, primarily in south-east Queensland. Deakin University, who is contracted to provide research and development to the subsidiaries, may have limitations 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 subsidiaries and ultimately, 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.

24 Events after the reporting period

Group Related Party Loans

On 7 January 2022, 18 January 2022 and 9 February 2022, the Group provided further loans for working capital purposes to CIB of \$0.175M, \$0.175M and \$0.400M respectively. The loans unsecured, are at a 4.52% interest rate and repayable on or before 31 March 2022.

On 1 February 2022, the Group provided a loan facility of \$0.750M to Survivon, to be drawn down in amounts not exceeding \$0.250M per advance, at 8.0% interest rate repayable on or before 31 March 2023. The loans is secured by all of the assets of MI, a 100% subsidiary of Survivon. An initial advance of \$0.250M was made on 1 February 2022.

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 Company, the results of those operations or the state of affairs of the Company in subsequent financial periods.

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 Australia Accounting Standards AASB 134 *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 2021 and of its performance for the six months 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 the resolution of the Board of Directors and is signed for and on behalf of the Directors by:



Robin Levison
Executive Chairman
23 February 2022



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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 2021, the statement of profit or loss and other 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 2021 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*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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 2021 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.



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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.

Independence

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

Ernst & Young

Brad Tozer
Partner
Brisbane
23 February 2022