



**sparc**  
TECHNOLOGIES



**Sparc Technologies Limited**  
**Appendix 4E**  
**Preliminary final report**

**1. Company details**

Name of entity: Sparc Technologies Limited  
 ACN: 009 092 068  
 Reporting period: For the year ended 30 June 2021  
 Previous period: For the year ended 30 June 2020

**2. Results for announcement to the market**

Revenues from ordinary activities	Down	61%	to	71,958
Loss from ordinary activities before tax attributable to the owners of Sparc Technologies Limited	Up	382%	to	(5,444,415)
Loss for the year attributable to the owners of Sparc Technologies Limited	Up	382%	to	(5,444,415)

*Dividends*

No dividends were paid during the year.

The loss for the Group after providing for income tax amounted to \$5,444,415 (30 June 2020: (\$1,425,841))

**3. Net tangible assets**

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	4.76	0.99

**4. Control gained over entities**

Name of entities (or group of entities) Sparc Operations Limited (formerly Graphene Technology Solutions Limited) ACN 629 889 550

Date control gained 12 November 2020

Contribution of such entities to the reporting entity's loss from ordinary activities after income tax during the period (where material)	\$ (1,281,951)
Loss from ordinary activities after income tax of the controlled entity (or group of entities) for the whole of the previous period (where material)	(1,425,841)

**5. Audit qualification or review**

The financial statements have been audited and an unmodified opinion has been issued.

**6. Attachments**

Details of attachments:

The Annual Report of Sparc Technologies Limited for the year ended 30 June 2021 is attached.

**7. Signed**

Signed 

Stephen Hunt  
 Director  
 Adelaide

Date: 26 August 2021

# **Sparc Technologies Limited**

**ACN 009 092 068**

**Annual Report - 30 June 2021**

**Sparc Technologies Limited**  
**Corporate directory**  
**30 June 2021**

Directors	Stephen Hunt Mike Bartels Daniel Eddington Thomas Spurling
Company secretary	Adrien Wing
Registered office	Sparc Technologies Limited ABN 15 007 702 927 Level 2, 480 Collins Street Melbourne VIC 3000 Email: <a href="mailto:infor@sparctechnologies.com.au">infor@sparctechnologies.com.au</a>
Principal place of business	51 Rundle Street Kent Town  Adelaide SA 5067
Share register	Link Market Services Limited Level 12, QV1 Building 250 St Georges Terrace Perth WA 6000  Phone: 1300 554 474
Auditor	BDO Audit Pty Ltd Level 7 420 King William Street Adelaide SA 5000
Solicitors	HWL Ebsworths Westpac House Level 21 91 King William Street Adelaide, SA 5000
Bankers	NAB Adelaide Office Ground Level 22-28 King William Street Adelaide SA 5000
Stock exchange listing	Sparc Technologies Limited shares are listed on the Australian Securities Exchange (ASX code: SPN)
Website	<a href="http://www.sparctechnologies.com.au">www.sparctechnologies.com.au</a>
Corporate Governance Statement	<a href="http://www.sparctechnologies.com.au">www.sparctechnologies.com.au</a>

The directors present their report, together with the financial statements, on the Group (referred to hereafter as the 'Group') consisting of Sparc Technologies Limited (formerly Acacia Coal Limited) (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2021.

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**Directors' report**  
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**Directors**

The following persons were directors of Sparc Technologies Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Michael Bartels	Managing Director	(appointed 1 July 2021)
Stephen Hunt	Executive Chairman	(appointed 12 November 2020)
Daniel Eddington	Non Executive Director	(appointed 12 November 2020)
Thomas Spurling	Non Executive Director	(appointed 12 November 2020)
Adam Santa Maria	Executive Chairman	(resigned 12 November 2020)
Logan Robertson	Non Executive Director	(resigned 12 November 2020)
Brett Lawrence	Non Executive Director	(resigned 12 November 2020)

Mr. Adrien Wing was appointed Company Secretary on 12 November 2020. Mr. Ben Donovan resigned as Company Secretary on 12 November 2020

**Principal activities**

Until 12 November 2020 the principal activities of the Company during the year were exploration and evaluation of mineral resources in Western Australia. On 12 November 2020 the Company completed the acquisition of 100% of the shares of Graphene Technology Solutions Limited (ACN 629 889 550) and consequently changed its principal activities to research and development of new technologies for environmental and biomedical applications..

**Dividends**

No Dividends were declared or paid during the financial year.

**Review of operations**

For the year ended 30 June 2021, the Group recorded a loss after tax of \$5,444,415 (30 June 2020: (\$1,425,841) after taking into account a recapitalisation expense of \$2,211,123 and non-cash share based payments of \$980,054.

The Group had working capital of \$2,729,003 (30 June 2020: Deficit of \$278,388.). The Group had negative cash flows from operating activities for the year amounting to \$2,352,972 (30 June 2020: \$ 612,128).

Key activities includes:

- Continuation and expansion of graphene in coatings for anti-corrosion, anti-microbial activity
- Environmental remediation – MUO signed with remediation company JBS&G to test Sparc graphene to be used in PFAS remediation in soil and to develop a pilot plant using graphene for PFAS remediation in water.
- Testing graphene absorption for the recovery of precious metals from tailings, including gold.
- Developing non-invasive biomedical sensors.
- Appointed Mr. Mike Bartels as CEO and from then from 1 July 2021 as Managing Director.

For a complete list of ASX announcements, please refer to Sparc's website, [www.sparctechnologies.com.au](http://www.sparctechnologies.com.au)

**Acquisition of Graphene Technology Solutions Limited**

On 12 November 2020 the Company announced the completion of the acquisition (the "Acquisition") of 100% of the shares of Graphene Technology Solutions Limited (ACN 629 889 550) ("GTS") a South Australian business involved in the research and development of new technologies for environmental and biomedical applications using graphene.

As detailed in the Company's prospectus dated 5 October 2020 ("the Prospectus"), the Acquisition involved a significant change to the nature of the Company's main business activity from mineral exploration and resource investment to research and development of new technologies for environmental and biomedical applications. Furthermore, the Acquisition involved an increase in the size of the Company's business operations.

The Share Purchase Agreement (the "SPA") relating to the Acquisition was entered into on 22 July 2020. Under the SPA the Company agreed to consolidate its issued capital on a 200 to 1 basis and then acquire all of the ordinary shares in GTS and in return issue 29,500,000 fully paid ordinary shares. The Acquisition was completed on 12 November 2020.

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As part of the broader transaction, 7,000,000 performance shares issued as remuneration to proposed Directors and key management personnel will, subject to satisfaction of certain milestones relating to GTS EBITDA, revenue and market valuation goals convert into fully paid shares over 2021, 2022 and 2023 (or will otherwise lapse)

Completion of the acquisition was conditional on certain conditions being satisfied which have occurred:

- the Company completing the issued capital consolidation (on a 200 to 1 basis);
- the Company raising a minimum of \$4,000,000 (before costs) through the issue of a maximum of 20,000,000 shares at an issue price of \$0.20 per share via the Public Offer;
- execution of all necessary Restriction Agreements required by ASX or the Listing Rules imposing such restrictions on trading of shares as mandated by the Listing Rules;
- the Company obtaining all third-party consents and regulatory approvals which may be required to undertake the Acquisition; and
- ASX confirming that it will reinstate the Company's shares to trading on ASX subject only to the satisfaction of customary terms and conditions which are acceptable to the Company acting reasonably.

The acquisition of GTS did not meet the definition of a business combination in accordance with AASB 3 Business Combinations ("AASB 3"). Instead, the acquisition has been treated as a group recapitalisation, using principles of reverse acquisition accounting in AASB 3 given the substance of the transaction is that the Company has effectively been recapitalised with GTS operations being the ongoing business. Accordingly, the consolidated financial statements have been prepared as if GTS had acquired the Company and not vice-versa as represented by the legal position. The recapitalisation is measured at the fair value of the equity instruments that would have been given by GTS to have exactly the same percentage holding in the new structure at the date of the transaction.

As the activities of the Company would not constitute a business based on the requirements of AASB 3, the excess of the deemed consideration over the fair value of the Company, as calculated in accordance with the reverse acquisition accounting principles and with AASB 2 Share Based Payments, is considered to be payment for a group restructure and has been expensed as a recapitalisation expense.

Concurrent with the acquisition of GTS, the company successfully raised \$4,000,000 (before costs) through the Prospectus offering 20,000,000 new ordinary at \$0.20 per share and re-complied with ASX listing rules.

The Company's acquisition of 100% of the issued capital of GTS resulted in the Company issuing the following:

- 29,500,000 shares to the shareholders of GTS;
- 7,000,000 performance shares to be issued to proposed Directors and key management personnel;
- 2,159,625 options to the lead manager and advisors in lieu of fees, transaction costs; and
- 625,000 shares to the lead manager and advisors in lieu of fees, transaction costs

As the Company is deemed to be the acquiree for accounting purposes, the carrying values of assets and liabilities are required to be recorded at fair value for the purposes of the Acquisition. No adjustments were required to the historical values to effect this change.

	\$
29,500,000 fully paid ordinary vendor shares	4,067,792
Total deemed consideration	4,067,792
Cash and cash equivalents	1,854,889
Trade and other receivables	34,326
Other current assets	14,612
	1,903,827
Trade payables	(47,158)
Fair value of net assets	1,856,669
Excess of fair value of net assets recognised as a recapitalisation expense	2,211,123

**Adjustment to amounts reported for the half-year ended 31 December 2020**

During the preparation of the accounts for the half-year ended 31 December 2020, the Directors took professional advice with respect to the application of the principles of reverse acquisition accounting in AASB 3 "Business Combinations" and the accounts were prepared on that basis. During the preparation of the accounts for the full year ended 30 June 2021 the Directors reviewed this professional advice and the interpretation of the principles of reverse acquisition accounting was revisited and discussed during the audit process. As a result, the Directors have revised their interpretation of the principles of reverse acquisition accounting with respect to two aspects of the acquisition transaction and adjustments were required in relation to transactions and balances reported in the Company's financial report for the half-year ended 31 December 2020. Due to the nature of the adjustments there is no impact on the net asset position reported, however the reported loss and components of equity have been amended

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The impact on the reported statement of profit or loss and other comprehensive income was as follows;

	Note	Half-year ended 31 Dec 2020 \$	Adjustments	Restated Half-year ended 31 Dec 2020
<b>Revenue</b>				
		2,650	-	2,650
Other Income				
<b>Expenses</b>				
Research and development		313,862	-	313,862
Professional and consulting fees		278,058	-	278,058
Travel		10,560		10,560
Share based payments	(a), (b)	279,152	37,183	316,335
Listing expense		8,586		8,586
Employee Expenses		63,186		63,186
Recapitalisation expense	(a)	1,543,042	668,081	2,211,123
Depreciation and amortisation		35,803		35,803
Interest on lease liabilities		3,798		3,798
Other expenses		120,406		120,406
<b>Total Operating expenses</b>		<b>2,656,453</b>	<b>705,264</b>	<b>3,361,717</b>
<b>(Loss) before income tax expense</b>		<b>(2,653,803)</b>	<b>705,264</b>	<b>(3,359,067)</b>
Income tax expense		-	-	
<b>(Loss) for the year</b>		<b>(2,653,803)</b>	<b>705,264</b>	<b>(3,359,067)</b>
Other comprehensive income				
<b>Total comprehensive loss attributable to equity holders of the parent entity</b>		<b>(2,653,803)</b>	<b>705,264</b>	<b>(3,359,067)</b>

The Impact on closing equity was as follows;

	Note	Half-year ended 31 Dec 2020 \$	Adjustments	Restated Half-year ended 31 Dec 202
<b>Equity</b>				
Issued capital	(a), (b)	7,765,408	1,580,323	9,345,731
Reserves	(a), (b)	1,338,868	(875,059)	463,809
Accumulated (losses)		(4,292,671)	(705,264)	(4,997,935)

Note (a) – Reverse Acquisition Accounting

The reverse acquisition calculations at 31 December 2020 included the 7,000,000 performance shares as consideration for the transaction having the impact of increasing consideration and subsequently the recapitalisation expense by \$992,516. This interpretation of the reverse acquisition accounting principles of AASB 3 is now considered to be incorrect. These amounts were remuneration for proposed Directors and key management personnel and should have been expensed over the expected vesting period of five years. The value of this expense for the six months to 31 December 2020 is \$76,682.

In addition new shares issued as part of the prospectus, together with shares issued to advisors and these were also included in the share consideration calculation at 31 December 2020. This interpretation of the reverse acquisition accounting principles of AASB 3 is now considered to be incorrect. The impact of their inclusion reduced the number of equity instruments that would have been given by GTS to have exactly the same percentage holding in the new structure at the date of the transaction. Applying the principles of AASB 3 correctly

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meant that these shares should have been excluded as they did not directly relate to the transaction between the existing shareholder groups. This had the impact of increased consideration, share capital issued and the recapitalisation expense by \$1,660,597.

As a result of the revised interpretation of the reverse acquisition principles of AASB 3 for these two aspects of the transaction the total recapitalisation expense increased by \$668,601 compared with the recapitalisation expense reported at 31 December 2020

**Note (b) – Share based payments**

- (i) The Group issued options to advisors as compensation for services in relation to the acquisition and capital raising. In the published half-year financial statements, these options were recorded as a share based payment expense. A portion of these options can be directly linked to the issuance of new capital and therefore could be recorded as share issue costs in equity. This amounts to \$80,274 being debited to share capital. The amount is retained in the share based payments reserve until the options are exercised or expire.
- (ii) As a result of the Acquisition, the previous Executive Service Agreement (“ESA”) relating to Mr Tom Spurling was superseded. Consequently, the right to performance shares included in the ESA has expired. In the published half-year financial statements, \$100,800 was expensed to recognise the full fair value. A further \$40,775 was required to be expensed to achieve full fair value of \$208,775.

**Significant changes in the state of affairs**

Other than disclosed elsewhere in this Directors Report, there have been no significant changes in the state of affairs of the Group which occurred during the year.

**Matters subsequent to the end of the financial year**

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has not been financially adverse for the Group up to 30 June 2021, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

No other matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

**Environmental regulation**

The Directors assessment of business opportunities and management of operations include consideration of the impact of such activities on the environment and climate change. The Group is not subject to any significant environmental regulation under Australian Commonwealth or State law.

**Information on directors**

Name:	Stephen Hunt (appointed 12 November 2020)
Title:	Executive Chairman
Qualifications:	BBus. (Marketing), MAICD
Experience and expertise:	Mr Hunt has over 17 years experience as a Director of ASX listed companies. Mr Hunt is currently a non-executive director of ASX listed company, American Pacific Borate LTD (ASX: ABR). Previous directorships include, Executive Chairman and Non Executive Director of Volt Resources Ltd (ASX: VRC), Magnis Resources Ltd (ASX:MNS), IMX Resources Ltd (now Indiana Resources Limited) and Australian Zircon Ltd.
Special responsibilities:	Chairman
Interests in shares:	7,757,533 Ordinary shares and 2,000,000 performance shares
Name:	Michael Bartels (appointed 1 July 2021)
Title:	Managing Director (from 1 July 2021) and Chief Executive Officer (from 1 March 2021)
Qualifications:	BSc
Experience and expertise:	Mr Bartels has a wealth of experience in sales and marketing with major multinational coatings companies in Australia and internationally including Sherwin Williams (NYSE:SHW) and AkzoNobel (AKZA.AS). Michael is an expert at developing strategy, setting vision and executing plans to deliver growth given his previous roles working with paint, protective coatings and insulation products for major multinational coatings companies.
Special responsibilities:	Managing Director
Interests in shares:	2,250,000 performance shares



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Name: Thomas Spurling (appointed 12 November 2020)  
 Title: Non-Executive Director (from 1 March 2021) (Managing Director until 1 March 2021)  
 Qualifications: BEc.  
 Experience and expertise: Mr Spurling has 35 years of executive experience serving in a range of roles and is an accomplished international manager and leader with particular expertise in leading growth initiatives into overseas markets for Australian companies and subsequent operations for medical technologies and devices and complex electro optical systems. Mr Spurling has held the position of CEO of Ellex Medical Lasers Limited (ASX:ELX) between 2011 and 2019. Mr Spurling is currently an Executive Director of Nova Eye Medical Limited (ASX:EYE).  
 Interests in shares: 1,219,887 Ordinary shares

Name: Daniel Eddington (appointed 12 November 2020)  
 Title: Non-Executive Director  
 Qualifications: BCom. And Grad. Diploma in Finance.  
 Experience and expertise: Daniel has over 20 years experience in financial markets across multiple sectors including the resource, energy and industrial sectors. Mr Eddington specialises in equity capital markets and has been responsible for IPOs placements, reverse takeovers, underwritings, corporate negotiations and corporate advisory for companies predominately in the resources sector  
 Other current directorships: Non-Executive Director of Computer DisAbility Limited (since April 2007) and Secure Payment Processes Limited (since December 2008)  
 Interests in shares: 2,880,769 Ordinary shares and 2,000,000 performance shares

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

**Company secretary**

Adrien Wing B.Bus is a certified practising accountant. He has worked in audit and corporate advisory for a chartered accounting firm before moving to assist a number of public companies listed on the ASX as a corporate account consultant and company secretary. Mr Wing was appointed on 12 November 2020 and is engaged through Northern Star Nominees Pty Ltd. Mr Wing holds 750,000 performance shares.

**CORPORATE GOVERNANCE**

The Board oversees the Company's business and is responsible for the overall corporate governance of the Company. It monitors the operations, financial position and performance of the Company and oversees its business strategy, including approving the strategy and performance objectives of the Company.

The Board is committed to maximising performance and generating value and financial returns for Shareholders.

To the extent relevant and practical, the Company has adopted a corporate governance framework that is consistent with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (4th Edition).

The Company's Corporate Governance Plan, including key policies, is available on the Company's website at [www.sparctechnologies.com.au/about-us/corporate-governance](http://www.sparctechnologies.com.au/about-us/corporate-governance)

**DIRECTORS' MEETINGS**

The number of meetings of the company's Board of Directors ('the Board') during the year ended 30 June 2021, and the number of meetings attended by each director were:

	Full Board	
	Attended	Held
Stephen Hunt	7	7
Daniel Eddington	7	7
Thomas Spurling	7	7
Adam Santa Maria	4	4
Logan Robertson	4	4
Brett Lawrence	4	4

Held: represents the number of meetings held during the time the director held office. The Board manages the function of the audit committee.

**REMUNERATION REPORT (AUDITED)**

The Directors of the Company present this Remuneration Report for the Group for the year ended 30 June 2021. The information provided in this Report has been audited as required by s 308(3C) of the Corporations Act 2001 (Cth) (Corporations Act) and forms part of the Directors' Report.

The Remuneration Report outlines the Company's key remuneration activities during the financial year ended 30 June 2021 and remuneration information pertaining to the Company's Directors and senior management personnel who are the key management personnel (KMP) of the Group for the purpose of the Corporations Act and Accounting Standards. These are the personnel who have authority and responsibility for planning, directing and controlling the activities of the Company.

The report is structured as follows:

1. Remuneration Governance
2. Directors and Key Management Personnel (KMP)
3. Remuneration Policy
4. Remuneration Components
5. Details of Directors' and KMP Remuneration
6. Key Terms of Employment Contracts
7. Terms and Conditions of Performance Shares
8. Directors and KMP Equity Holdings
9. Other Transactions with Directors and KMP

**1. REMUNERATION GOVERNANCE**

Consistent with the Board's Charter, the Board has taken the decision that at this early stage of the Company's growth a separate Remuneration and Nomination Committee is not warranted. Accordingly, the Board as a whole carries out the functions of the Remuneration and Nomination Committee, as described in the Committee Charter. Where appropriate, this is undertaken by Non-executive Directors only, without the presence or participation of the Executive Director/s.

**Functions**

The Board reviews any matters of significance affecting the remuneration of the Board and employees of the Company.

The primary remuneration purpose of the Board is to fulfil its responsibilities to shareholders, including by:

- a. Ensuring that the approach to executive remuneration demonstrates a clear relationship between key executive performance and remuneration;
- b. Fairly and responsibly rewarding executives, having regard to the performance of the Company, the performance of the executive and the prevailing remuneration expectations in the market;
- c. Reviewing the Company's remuneration, recruitment, retention and termination policies and procedures for senior management;
- d. Reviewing and approving any equity-based plans and other incentive schemes;
- e. Clearly distinguishing the structure of Non-executive Director (NED) remuneration from that of executive directors and senior executives, and recommending NED remuneration to the Board;
- f. Arrange the performance evaluation of the Board, its Committees, individual Directors and senior executives on an annual basis; and
- g. Oversee the annual remuneration and performance evaluation of the senior executive team.

The Board Charter and the Remuneration and Nomination Committee Charter, which outlines the terms of reference under which the Committee operates, are available in the Corporate Governance Plan at [www.sparctechnologies.com.au/aboutus/corporate-governance](http://www.sparctechnologies.com.au/aboutus/corporate-governance)

**2. DIRECTORS AND KEY MANAGEMENT PERSONNEL (KMP)**

The directors and KMP of the Group during the year were:

	<b>Period of Responsibility in FY21</b>	<b>Position</b>
<i>Non-Executive Directors</i>		
Thomas Spurling	From 12 November 2020	Independent Non- executive Director from 1 March 2021, Managing Director from 12 November 2020 to 1 March 2021
Daniel Eddington	From 12 November 2020	Independent Non- executive Director
Logan Robertson	From 1 July to 12 November 2020	Independent Non- executive Director
Brett Lawrence	From 1 July to 12 November 2020	Independent Non- executive Director

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*Executive Directors*

Stephen Hunt	From 12 November 2020	Executive Chairman
Adam Santa Maria	From 1 July to 12 November 2020	Executive Chairman

*Key Management Personnel*

Michael Bartels	From 1 March 2021	Chief Executive Officer
Adrien Wing	From 12 November 2020	Company Secretary

### 3. REMUNERATION POLICY

The Company's remuneration framework for Directors and senior executives has been designed to remunerate fairly and responsibly, balancing the need to attract and retain key personnel with a prudent approach to management of costs. The Board's policy for determining the nature and amount of remuneration for Board members and senior executives of the Company is as follows:

#### Non-Executive Director Remuneration

The Board aims to remunerate each Non-executive Director (NED) for their time, commitment and responsibilities at market rates for comparable companies. The Board determines the annual level of fees payable to Non-executive Directors and intends to review their remuneration annually, based on market practice, duties and accountability and subject to the maximum aggregate amount per annum as approved by shareholders. Fees for Non-executive Directors are not linked to the performance of the Group, other than participation in performance shares (refer to section 8 for share plans). The Board approves a letter of appointment setting out the key terms and conditions of appointment for each Non-executive Director. Non-executive Directors receive statutory superannuation guarantee payments and do not receive any other retirement benefits.

#### Executive Remuneration

It is intended that executive remuneration reviews will be undertaken annually by the Board to ensure that the remuneration framework remains aligned to business needs. The Board aims to ensure that remuneration practices are:

- Competitive and reasonable, enabling the Company to attract and retain key talent; and
- Aligned to the Company's strategic and business objectives and the creation of shareholder value.

### 4. REMUNERATION COMPONENTS

#### Non-Executive Directors

Non-executive Directors receive a fixed fee for their participation on the Board. No additional fee is paid for service on Board sub-committees.

Non-Executive Director fees are determined by the Board within an aggregate fee pool limit as approved by shareholders. The current aggregate fee pool, as set out in the Constitution in Rule 7.8 detailing initial fees to Directors, is \$300,000.

#### Executive Directors

Executive Directors' remuneration comprises fixed remuneration (salary) and may include performance-based remuneration. These are set with reference to the Company's performance and the market capitalisation. Fixed remuneration, which reflects the individual's role and responsibility as well as their experience and skills, includes base pay and statutory superannuation.

As part of the Reverse Acquisition of Acacia Coal Limited 7,000,000 performance shares were issued to the Directors and Key Management Personnel. The company determined that providing a long-term incentive to key personnel would assist in delivering real value to shareholders. The performance shares will convert into ordinary shares in the company on a one for one basis where on satisfaction of the following milestone:

- (1) GTS generates annual Operating Revenue of at least \$3 million from the Graphene projects or Graphene Technology over an audited financial year; and
- (2) the Company achieves a market capitalisation (based on the Company's VWAP) of \$50 million or more.

The performance shares were issued as follows: Managing Director 2,250,000, Directors 2,000,000 each and the company secretary 750,000.

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**5. DIRECTOR AND KMP REMUNERATION**

Remuneration for the financial year ended 30 June 2021

**Table 1 For the consolidated group (accounting parent) including Sparc Technologies Limited (formerly Acacia Coal Limited) (legal parent) from 12 November 2020 (acquisition date)**

2021	Short-term benefits (\$)				Post-employment (\$)	Share-based payments (\$)			
	Cash salary and fees	Short-term incentive	Annual Leave	Other	Superannuation	Ordinary Shares	Performance Shares	Options	Total share-based payments
<i>Non-Executive Directors</i>									
Thomas Spurling (appointed 12 November 2020)	36,121	-	-	-	3,431	-	141,575 <sup>4,6</sup>	-	141,575
Daniel Eddington (appointed 12 November 2020)	36,666	-	-	-	3,865	-	50,189 <sup>4</sup>	-	50,189
Logan Robertson (resigned 12 November 2020)	-	-	-	-	-	-	-	-	-
Brett Lawrence (resigned 12 November 2020)	-	-	-	-	-	-	-	-	-
Richard Wilson (resigned 12 November 2020)	15,000 <sup>1</sup>	-	-	-	-	-	-	-	-
<i>Executive</i>									
Stephen Hunt (appointed 12 November 2020)	97,169 <sup>2</sup>	-	-	-	7,600	-	50,189 <sup>4</sup>	-	50,189
Michael Bartels (appointed 1 March 2021)	80,000	-	-	-	7,600	-	21,152 <sup>4</sup>	-	21,152
Adam Santa Maria (resigned 12 November 2020)	-	-	-	-	-	-	-	-	-
Adrien Wing (appointed 12 November 2020) <sup>3</sup>	38,500	-	-	-	-	-	18,821 <sup>4</sup>	109,100 <sup>5</sup>	127,921
<b>Total</b>	<b>303,456</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>22,496</b>	<b>0</b>	<b>281,926</b>	<b>109,100</b>	<b>391,026</b>
2021	Termination (\$)	Other long-term benefits (\$)	Total (\$)	Total "at risk" (%)					
<i>Non-Executive Directors</i>									
Thomas Spurling (appointed 12 November 2020)	-	-	181,127	0% <sup>6</sup>					
Daniel Eddington (appointed 12 November 2020)	-	-	90,720	55%					
Logan Robertson (resigned 12 November 2020)	-	-	-	-					
Brett Lawrence (resigned 12 November 2020)	-	-	-	-					
Richard Wilson (resigned 12 November 2020)	-	-	15,000	0%					
<i>Executive</i>									
Stephen Hunt (appointed 12 November 2020)	-	-	154,958	32%					
Michael Bartels (appointed 1 March 2021)	-	-	108,752	19%					
Adam Santa Maria (resigned 12 November 2020)	-	-	-	-					
Adrien Wing (appointed 12 November 2020)	-	-	166,421	11%					
<b>Total</b>	<b>-</b>	<b>-</b>	<b>716,978</b>						

1. Director's fees of \$15,000 were paid to Red Dog No1 Pty Ltd on behalf of Mr Wilson.

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2. Mr Hunt received Director's fees of \$97,169 of which \$11,000 was paid to Minerals and Metals Marketing Pty Ltd.
3. Mr Wing has a contract to supply company secretarial services to Sparc Technologies Ltd through Northern Star Nominees Pty Ltd. The fees are \$5,000 per month plus GST.
4. As part of the Acquisition of Acacia Coal Limited 7,000,00 performance shares were issued to the Directors and Key Management Personnel as follows: (1) 2,250,000 performance shares to Mr Tom Spurling, (2) 2,000,000 performance shares to Mr Stephen Hunt, (3) 2,000,000 performance shares to Mr Daniel Eddington, (4) 750,000 performance shares to Mr Adrien Wing. The performance shares will convert into ordinary shares in the company on a one for one basis where on satisfaction of the following milestone: (1) GTS generates annual Operating Revenue of at least \$3 million from the Graphene projects or Graphene Technology over an audited financial year; and (2) the Company achieves a market capitalisation (based on the Company's VWAP) of \$50 million or more. On 1 March 2021 Thomas Spurling's performance shares were cancelled and re-issued to Michael Bartels as Chief Executive Officer. The accounting standards classify this as a forfeiture with no expense recognised in relation to Thomas Spurling's Performance Shares.
5. Mr Wing was issued 1,000,000 options for ordinary shares with expiry date 31 December 2023 with a call price of \$0.60. There are no performance conditions attached to the options..
6. As a result of the Acquisition, the previous Executive Service Agreement ("ESA") relating to Mr Tom Spurling was superseded. Consequently the right to performance shares included in the ESA has expired. The accounting standards as applicable to this series of performance rights require the acceleration of the entire fair value of the relevant tranche. The full fair value was \$208,775 at grant date. This remuneration has been excluded from the assessment of 'at risk' as there is no remaining performance obligation associated.

**Table 2 Sparc Technologies Limited (formerly Acacia Coal Limited) for the full year ended 30 June 2020 and the accounting parent from 12 November 2020 (acquisition date)**

2021	Short-term benefits (\$)				Post-employment (\$)	Share-based payments (\$)			
	Cash salary and fees	Short-term incentive	Annual Leave	Other	Superannuation	Ordinary Shares	Performance Shares	Options	Total share-based payments
<i>Non-Executive Directors</i>									
Thomas Spurling (appointed 12 November 2021)	36,121	-	-	0	3,431	-	141,575 <sup>2,4</sup>	-	141,575
Daniel Eddington (appointed 12 November 2021)	36,666	-	-	0	3,865	-	50,189 <sup>2</sup>	-	50,189
Logan Robertson (resigned 12 November 2020)	3,833	-	-	-	-	-	-	-	-
Brett Lawrence (resigned 12 November 2020)	3,958	-	-	-	-	-	-	-	-
Richard Wilson (resigned 12 November 2020)	-	-	-	-	-	-	-	-	-
<i>Executive</i>									
Stephen Hunt (appointed 12 November 2020)	80,000	-	-	0	7,600	-	50,189 <sup>2</sup>	-	50,189
Michael Bartels (appointed 1 March 2021)	80,000	-	-	0	7,600	-	21,152 <sup>2</sup>	-	21,152
Adam Santa Maria (resigned 12 November 2020)	5,166	-	-	-	-	-	-	-	-
Adrien Wing (appointed 12 November 2020)	38,500 <sup>1</sup>	-	-	-	-	-	18,821 <sup>2</sup>	109,100 <sup>3</sup>	127,921
<b>Total</b>	<b>284,244</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>22,496</b>	<b>-</b>	<b>209,644</b>	<b>109,100</b>	<b>391,026</b>

2021	Termination (\$)	Other long-term benefits (\$)	Total (\$)	Total "at risk" (%)
<i>Non-Executive Directors</i>				
Thomas Spurling (appointed 12 November 2021)	-	-	181,127	0%
Daniel Eddington (appointed 12 November 2021)	-	-	90,720	55%
Logan Robertson (resigned 12 November 2020)	-	-	3,833	0%
Brett Lawrence (resigned 12 November 2020)	-	-	3,958	0%
Richard Wilson (resigned 12 November 2020)	-	-	-	-
<i>Executive</i>				

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Stephen Hunt (appointed 12 November 2020)	-	-	137,789	36%
Michael Bartels (appointed 1 March 2021)	-	-	108,752	19%
Adam Santa Maria (resigned 12 November 2020)	-	-	5,166	0%
Adrien Wing (appointed 12 November 2020)	-	-	166,421	11%
<b>Total</b>	-	-	<b>697,766</b>	

- Mr Wing has a contract to supply company secretarial services to Sparc Technologies Ltd through Northern Star Nominees Pty Ltd. The fees are \$5,000 per month plus GST.
- As part of the Acquisition of Acacia Coal Limited 7,000,00 performance shares were issued to the Directors and Key Management Personnel as follows: (1) 2,250,000 performance shares to Mr Tom Spurling, (2) 2,000,000 performance shares to Mr Stephen Hunt, (3) 2,000,000 performance shares to Mr Daniel Eddington, (4) 750,000 performance shares to Mr Adrien Wing. The performance shares will convert into ordinary shares in the company on a one for one basis where on satisfaction of the following milestone: (1) GTS generates annual Operating Revenue of at least \$3 million from the Graphene projects or Graphene Technology over an audited financial year; and (2) the Company achieves a market capitalisation (based on the Company's VWAP) of \$50 million or more. On 1 March 2021 Thomas Spurling's performance shares were cancelled and re-issued to Michael Bartels as Chief Executive Officer. The accounting standards classify this as a forfeiture with no expense recognised in relation to Thomas Spurling's Performance Shares.
- Mr Wing was issued 1,000,000 options for ordinary shares with expiry date 31 December 2023 with a call price of \$0.60. There are no performance conditions attached to the options.
- As a result of the Acquisition, the previous Executive Service Agreement ("ESA") relating to Mr Tom Spurling was superseded. Consequently the right to performance shares included in the ESA has expired. The accounting standards as applicable to this series of performance rights require the acceleration of the entire fair value of the relevant tranche. The full fair value was \$208,775 at grant date. This remuneration has been excluded from the assessment of 'at risk' as there is no remaining performance obligation associated.

**Table 3 Sparc Operations Limited (formerly Graphene Technology Solutions Limited) (accounting parent – for the year ended 30 June 2020**

2020	Short-term benefits (\$)				Post-employment (\$)	Share-based payments (\$)			
	Cash salary and fees	Short-term incentive	Annual Leave	Other	Super annuation	Ordinary Shares	Performance Shares	Options	Total share-based payments
<i>Non Executive Directors</i>									
Richard Wilson	1,995 <sup>1</sup>	-	-	-	-	-	-	-	-
Daniel Eddington (appointed 5 December 2019)	12,000	-	-	-	1,140	-	-	-	-
<i>Executive</i>									
Stephen Hunt	47,338 <sup>2</sup>	-	-	-	1,172	-	-	-	-
Thomas Spurling	4,242	-	-	-	-	150,000 <sup>3</sup>	67,200 <sup>4</sup>	-	217,200
<b>Total</b>	<b>65,575</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,312</b>	<b>150,000</b>	<b>67,200</b>	<b>-</b>	<b>217,200</b>

2020	Termination (\$)	Other long-term benefits (\$)	Total (\$)	Total "at risk" (%)
<i>Non Executive Directors</i>				
Richard Wilson	-	-	1,995	0%
Daniel Eddington (appointed 5 December 2019)	-	-	13,140	0%
<i>Executive</i>				
Stephen Hunt	-	-	48,510	0%
Thomas Spurling	-	-	221,442	30%
<b>Total</b>	<b>-</b>	<b>-</b>	<b>285,087</b>	

- Directors fees of \$1,995 were paid to Red Dog No1 Pty Ltd on behalf of Mr Wilson.
- Mr Hunt was paid total Directors Fees of \$47,338 of which \$35,000 was paid to Minerals and Metals Marketing Pty Ltd and \$12,338 was paid directly to Mr Hunt.
- Mr Spurling was issued 1,250,000 ordinary shares @ \$0.12 per share amounting to \$150,000 on commencement of employment. These form a fixed part of his remuneration.
- During the year Mr Spurling was issued 1,750,000 performance shares under his Service Agreement as Managing Director. At 30 June 2020 these performance shares had performance conditions still at risk and as a result have been included in the 'at risk' calculation.

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Table 4 Sparc Technologies Limited (formerly Acacia Coal Limited) (legal parent) – for the year ended 30 June 2020

2020	Short-term benefits (\$)				Post-employment (\$)	Share-based payments (\$)			
	Cash salary and fees	Short-term incentive	Annual Leave	Other	Super annuation	Ordinary Shares	Performance Shares	Options	Total share-based payments
<i>Non Executive Directors</i>									
Logan Robertson	10,000	-	-	-	-	-	-	-	-
Brett Lawrence	10,000	-	-	-	-	-	-	-	-
<i>Executive</i>									
Adam Santa Maria	34,000	-	-	-	-	-	-	-	-
<b>Total</b>	<b>54,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

2020	Termination (\$)	Other long-term benefits (\$)	Total (\$)	Total "at risk" (%)
<i>Non Executive Directors</i>				
Logan Robertson	-	-	10,000	0%
Brett Lawrence	-	-	10,000	0%
<i>Executive</i>				
Adam Santa Maria	-	-	34,000	0%
<b>Total</b>	<b>-</b>	<b>-</b>	<b>54,000</b>	

The proportion of remuneration linked to performance and the fixed proportion are as follows:

Name	%					
	Fixed Remuneration		At risk - STI		At risk - LTI	
	2021	2020	2021	2020	2021	2020
<i>Non-Executive Directors</i>						
Thomas Spurling	100%	70%	0%	0%	0%	30%
Daniel Eddington	45%	100%	0%	0%	55%	0%
Richard Wilson	100%	100%	0%	0%	0%	0%
Logan Robertson	100%	100%	0%	0%	0%	0%
Brett Lawrence	100%	100%	0%	0%	0%	0%
<i>Executive Directors</i>						
Stephen Hunt	68%	100%	0%	0%	32%	0%
Adam Santa Maria	100%	100%	0%	0%	0%	0%
<i>Other Key Management Personnel</i>						
Michael Bartels	81%	0%	0%	0%	19%	0%
Adrien Wing	89%	0%	0%	0%	11%	0%

**Share-based compensation**

**Issue of performance shares**

Details of performance shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2021 are set out below:

Name	Date	Performance Shares	Exercise Price	Fair value per share at grant date	Expiry Date
Stephen Hunt	12 November 2020	2,000,000	-	\$0.14	12 November 2025
Daniel Eddington	12 November 2020	2,000,000	-	\$0.14	12 November 2025

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Thomas Spurling	12 November 2020	2,250,000		\$0.14	n/a – cancelled on 1 March 2021, accounted for as a forfeit
Michael Bartels	1 March 2021	2,250,000	-	\$0.14	1 March 2026
Adrien Wing	12 November 2020	750,000	-	\$0.14	12 November 2025

The performance shares have no fixed vesting date. The performance shares will convert into ordinary shares in the company on a one for one basis where on satisfaction of the following milestone: (1) GTS generates annual Operating Revenue of at least \$3 million from the Graphene projects or Graphene Technology over an audited financial year; and (2) the Company achieves a market capitalisation (based on the Company's VWAP) of \$50 million or more.

Performance shares issued by the Company carry no rights to dividends, hold no voting rights, capital or wind up rights and are not transferable..

**Options**

The terms and conditions of each grant of options over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

Name	Number of options granted	Grant Date	Vesting date and exercisable date 31 December 2023	Expiry date 31 December 2023	Exercise price	Fair value per option at grant date
Adrien Wing	1,000,000	9 March 2021	31 December 2023	31 December 2023	\$0.60	\$0.13

Options carry no right no dividend or voting rights.

All options were granted over unissued fully paid ordinary shares in the company. Options may be exercised anytime before the expiry date. There has not been any alteration to the terms or conditions of the grant since the grant date. There are no amounts paid or payable by the recipient in relation to the granting of such options other than on their potential exercise.

No options issued to directors or key management personnel as part of their compensation lapsed during the year.

**Additional information**

The earnings for the Group for the three years to 30 June 2021 are summarised below:

	2021	2020	2019
Sales revenue	0	0	0
EBITDA	(5,322,635)	(1,421,788)	(239,934)
EBIT	(5,429,543)	(1,425,841)	(240,215)
Profit after income tax	(5,444,417)	(1,425,841)	(240,215)

The factors that are considered to affect total shareholder return ("TSR") are summarised below:

	2021	2020	2019
Share price at financial year end (\$)	\$0.27	na	na
Total dividends declared (cents per share)	0	0	0
Basic earnings per share (cents per share)	(9.68)	(5.99)	(0.01)

**6. KEY TERMS OF EMPLOYMENT CONTRACTS**

**Non-Executive Directors**

The Company has entered into Non-Executive Director letters of appointment with each of Thomas Spurling and Daniel Eddington (Letters of Appointment). Each of the Letters of Appointment provide that amongst other things, in consideration for their services, the Company will pay the following fees, plus statutory superannuation:



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Daniel Eddington \$55,000 per annum and Thomas Spurling \$48,000 per annum.

Mr. Eddington has also been issued 2,000,000 performance shares which are subject to the conditions set out in Point 6 below.

Each Non-Executive Director is also entitled to be reimbursed reasonable expenses incurred in performing their duties. The appointment of the Non-Executive Directors is subject to the provisions of the Constitution and the ASX Listing Rules relating to retirement by rotation and re-election of directors.

The appointment of a Non-Executive Director will automatically cease at the end of any meeting at which the relevant Director is not re-elected as a Director by shareholders. A Director may terminate their directorship at any time by advising the Board in writing.

The Letters of Appointment otherwise contain terms and conditions that are considered standard for agreements of this nature and are in accordance with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (4th Ed).

## **Executives**

### **Managing Director**

The Company has entered into an executive services agreement with Michael Bartels, whereby he was engaged as the Managing Director and Chief Executive officer (Managing Director) of the Company. Mr. Bartels receives a base salary of \$240,000 per annum plus statutory superannuation for services rendered under the executive services agreement. The Company will also, subject to certain conditions, reimburse the Managing Director for all reasonable travelling intra/interstate or overseas, accommodation and general expenses incurred in the performance of all duties in connection with the business of the Company. Mr. Bartels has also been issued 2,250,000 performance shares which are subject to the conditions set out in Point 7 below.

The termination provisions in the executive services agreement are on standard commercial terms and generally require a minimum period of notice prior to termination. In the event that the Company elects to terminate the executive services agreement without reason, it must pay the Managing Director three months' salary.

### **Chairman**

The Company entered into an Executive Services Agreement with Stephen Hunt, whereby he was engaged as the Executive Chairman of the Company. Stephen Hunt receives a base salary of \$120,000 per annum plus statutory superannuation for services rendered under the executive services agreement. The Company will also, subject to certain conditions, reimburse the Executive Chairman Director for all reasonable travelling intra/interstate or overseas, accommodation and general expenses incurred in the performance of all duties in connection with the business of the Company. Mr. Hunt has also been issued 2,000,000 performance shares which are subject to the conditions set out in Point 7 below.

The termination provisions in the executive services agreement are on standard commercial terms and generally require a minimum period of notice prior to termination. In the event that the Company elects to terminate the executive services agreement without reason, it must pay the Executive Chairman three months' salary.

### **Company Secretary**

During FY21, Adrien Wings services as Company Secretary (CS) were undertaken in accordance with a contractor agreement between the Company and Northern Star Nominees Pty Ltd, an entity controlled by Adrien Wing (CS Agreement). Under the CS Agreement, Northern Star Nominees Pty Ltd provides the services of Adrien Wing in the position of CS at a monthly fee of \$5,000 plus GST. The contract is ongoing and subject to termination by either party with a notice period of one month in writing.. The CS Agreement otherwise includes standard commercial terms.

Adrien Wing was issued with 750,000 performance shares which are subject to the conditions set out in Point 7 below and also 1,000,000 options.

## **7. TERMS AND CONDITIONS OF PERFORMANCE SHARES**

Performance Shares were issued to Stephen Hunt (Director), Daniel Eddington (Director), Thomas Spurling (Managing Director) and Adrien Wing (Company Secretary) on 12 November 2020. Upon CEO Mike Bartels joining the Company as Chief Executive Officer on 1 March 2021 the performance shares held by Thomas Spurling were cancelled and re-issued to Michael Bartels. The performance shares will convert into ordinary shares on a one-for-one basis upon satisfaction of the following milestones:

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- The Company generating annual operating revenue of at least \$3,000,000 from the Graphene Projects or Graphene Technology over an audited financial year; and
- The Company achieving a market capitalisation (based on the Company's VWAP) of \$50,000,000 or more.

Performance shares issued by the Company carry no rights to dividends, hold no voting rights, capital or wind up rights and are not transferable.

## 8. DIRECTOR AND KMP EQUITY HOLDINGS

Details of the number of ordinary shares held by Directors and KMP in the Company are set out below. This includes shares held directly, indirectly or beneficially by Directors and KMP, including related party holdings.

Details of the number of ordinary shares held by Directors and KMP in the company are set out below

	Balance 1 July 2020	Shares post consolidation on Acquisition <sup>6</sup>	Received as part of remuneration	Additions	Disposals	Balance 30 June 2021
<b>Non Executive Directors</b>						
Thomas Spurling (appointed 12 November 2020) <sup>7</sup>	-	-	-	1,219,887	-	1,219,887
Daniel Eddington (appointed 12 November 2020) <sup>1</sup>	-	-	-	2,880,769	-	2,880,769
Logan Robertson (resigned 12 November 2020) <sup>2</sup>	7,223,196	36,116	-	650,000	-	686,116
Brett Lawrence (resigned 12 November 2020) <sup>3</sup>	5,417,398	27,087	-	75,000	-	102,087
<b>Executive</b>						
Stephen Hunt (appointed 12 November 2020) <sup>4</sup>	-	-	-	7,757,533	-	7,757,533
Adam Santa Maria (resigned 12 November 2020) <sup>5</sup>	2,546,800	12,734	-	470,000	-	482,734
<b>Key Management Personnel</b>						
Adrien Wing (appointed 12 November 2020)	-	-	-	-	-	-
Michael Bartels (appointed 1 March 2020)	-	-	-	-	-	-
<b>Total</b>	<b>15,187,394</b>	<b>75,937</b>	<b>-</b>	<b>13,053,189</b>		<b>13,129,126</b>

1. At the 30 June Mr Daniel Eddington holds 2,780,769 ordinary shares in joint names with Julie Eddington. Dejul Trading Pty Ltd is a nominee of Mr Eddington and holds 100,000 ordinary shares.
2. At 30 June 2021 Mr Logan Robertson holds 36,116 ordinary shares. Technique Capital Pty Ltd is a nominee of Mr Robertson and holds 650,000 ordinary shares.
3. At 30 June 2021 Leopard Energy Pty Ltd a nominee of Mr Brett Clifford holds 102,087 ordinary shares.
4. At 30 June 2021 DFM Trust a nominee of Mr Hunt holds 3,565,416 ordinary shares and SB Hunt Super Pty Ltd a nominee of Mr Hunt holds 2,362,287 ordinary shares. Minerals and Metals Marketing Pty Ltd a nominee of Mr Hunt holds 1,829,830 ordinary shares.
5. As at 30 June 2021 Mr Adam Santa Maria holds 22,734 ordinary shares. Winsome Santa Maria ATF the Santa Family Trust a nominee of Mr Santa Maria holds 85,000 ordinary shares. Horizon Investments Services Pty Ltd a nominee of Mr Santa Maria holds 375,000 ordinary shares.
6. As part of the Acquisition in November 2020 the ordinary shares in Acacia Coal Limited were consolidated on 200:1 basis.
7. Thomas Spurling received 1,250,000 shares on 14 July 2021 as part of his compensation arrangements from the previous financial year with the legal subsidiary. These shares were converted down to the amount shown as part of the acquisition.

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Details of the number of performance shares held by Directors and KMP in the company are set out below

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ Other	Balance at 30 June 2021
<i>Non Executive Directors</i>					
Thomas Spurling (appointed 12 November 2020) <sup>1</sup>	-	2,250,000	-	(2,250,000)	-
Daniel Eddington (appointed 12 November 2020) <sup>2</sup>	-	2,000,000	-	-	2,000,000
Logan Robertson (resigned 12 November 2020)	-	-	-	-	-
Brett Lawrence (resigned 12 November 2020)	-	-	-	-	-
<i>Executive</i>					
Stephen Hunt (appointed 12 November 2020) <sup>3</sup>	-	2,000,000	-	-	2,000,000
Adam Santa Maria (resigned 12 November 2020)	-	-	-	-	-
<i>Key Management Personnel</i>					
Adrien Wing (appointed 12 November 2020) <sup>4</sup>	-	750,000	-	-	750,000
Michael Bartels (appointed 1 March 2020) <sup>5</sup>	-	2,250,000	-	-	2,250,000
<b>Total</b>	-	9,250,000	-	(2,250,000)	7,000,000

1. On 12 November 2020 Thomas Spurling was issued 2,250,000 performance shares as part of his ESA as Managing Director. Upon the appointment of Mr Michael Bartels as Chief Executive Officer on 1 March 2021 Mr Spurling's performance shares were cancelled and re-issued to Mr Bartels.
2. On 12 November 2020 Mr Eddington was issued 2,000,000 performance shares as part of his Letter of Employment. Dacama Pty Ltd a nominee of Mr Eddington holds the 2,000,000 performance shares.
3. On 12 November 2020 Mr Stephen Hunt was issued 2,000,000 performance shares as part of his ESA as Executive Chairman. The SB Hunt Super Pty Ltd a nominee of Mr Hunt holds the 2,000,000 performance shares.
4. On 12 November 2020 Mr Adrien Wing was issued with 750,000 performance shares.
5. On 1 March 2021 Mr Michael Bartels was issued 2,250,000 performance shares as part of his ESA as Chief Executive Officer.

Details of the number of options held by Directors and KMP in the company are set out below

	Balance 1 July 2020 Acacia Coal Ltd	Shares post consolidation on Acquisition <sup>5</sup>	Received as part of remuneration	Additions	Disposals/ Other	Balance at 30 June 2021
<i>Non Executive Directors</i>						
Thomas Spurling (appointed 12 November 2020)	-	-	-	-	-	-
Daniel Eddington (appointed 12 November 2020)	-	-	-	-	-	-
Logan Robertson (resigned 12 November 2020) <sup>1</sup>	75,000,000	375,000	-	-	-	375,000
Brett Lawrence (resigned 12 November 2020) <sup>2</sup>	75,000,000	375,000	-	-	-	375,000
<i>Executive</i>						
Stephen Hunt (appointed 12 November 2020)	-	-	-	-	-	-
Adam Santa Maria (resigned 12 November 2020) <sup>3</sup>	85,000,000	425,000	-	750,000	-	1,175,000
<i>Key Management Personnel</i>						
Adrien Wing (appointed 12 November 2020) <sup>4</sup>	-	-	1,000,000	-	-	1,000,000
Michael Bartels (appointed 1 March 2020)	-	-	-	-	-	-
<b>Total</b>	235,000,000	1,175,000	1,000,000	750,000	-	2,925,000

1. Mr Logan Robertson holds 50,000 unlisted options exercisable at \$1.20 expiring 5 December 2021 and 325,000 unlisted options exercisable at \$0.30 expiring 9 August 2023.
2. Mr Brett Lawrence ATF the Acacia Investment Trust holds 50,000 unlisted options exercisable at \$1.20 expiring 5 December 2021 and 325,000 unlisted options exercisable at \$0.30 expiring 9 August 2023.
3. Winsome Santa Maria ATF The Santa Family Trust is a nominee of Mr Adam Santa Maria holds 100,000 unlisted options exercisable at \$1.20 expiring 5 December 2021 and Discovery Services Pty Ltd ATF Discovery Capital Investments Unit Trust is a nominee of Mr Santa Maria holds

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325,000 unlisted options exercisable at \$0.30 expiring 9 August 2023. Horizon Investment Services Pty Ltd a nominee of Mr Santa Maria holds 750,000 unlisted options exercisable at \$0.30 expiring 12 November 2023.

4. Mr Adrien Wing holds 1,000,000 unlisted options exercisable at \$0.60 expiring 31 December 2023.
5. As part of the Acquisition in November 2020 the existing options in Acacia Coal Limited were consolidated on 200:1 basis.

**9. OTHER TRANSACTIONS WITH DIRECTORS AND KMP**

During the year ended 30 June 2021, the following transactions occurred with entities considered to be related to the Group:

Discovery Capital Partners Pty Ltd: Fees of \$182,707 were invoiced to the Group and 375,000 shares (valued at \$75,000) and 750,000 options (valued at \$62,250) with an exercise price of \$0.30 and an expiry of three years from the date of their issue were issued to Discovery Capital Partners Pty Ltd in lieu of advisory services provided. Included in creditors as at 30 June 2021 is an amount for \$11,000 owing to Discovery Capital Partners Pty Ltd. Mr. A Santa Maria, the Executive Chairman of the Group until his resignation on 12 November 2020, is a Director of Discovery Capital Partners Pty Ltd.

Red Dog No1 Pty Ltd: Fees of \$15,000 were paid to Red Dog No1 Pty Ltd on behalf of Mr. Richard Wilson.

Minerals and Metals Marketing Pty Ltd: Fees of \$11,000 were invoiced to the Group. Mr. S Hunt, a Director of the Group, is a Director of Minerals and Metals Marketing Pty Ltd.

Mr. Logan Robertson: Fees of \$5,500 were invoiced to the Group. Mr. L Robertson was a Non-Executive Director of the Group until his resignation on 12 November 2020.

Leopard Energy Pty Ltd: Fees of \$4,354 were invoiced to the Group. Leopard Energy Pty Ltd is considered to be a related party of the Group. Mr. Brett Lawrence, a Non-Executive Director of the Group until his resignation on 12 November 2020, is a Director of Leopard Energy Pty Ltd.

The remuneration report details the key management personnel remuneration arrangements for the Group, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

***This concludes the remuneration report, which has been audited.***

**Shares under option**

The following ordinary shares of Sparc Technologies Limited were reserved for issue during the year ended 30 June 2021 and up to the date of this report on the exercise of options granted:

Grant Date	Expiry Date	Exercise Price	Number under option
5 December 2016	5 December 2021	\$1.20	212,500
9 August 2018	9 August 2023	\$0.30	975,000
12 November 2020	12 November 2023	\$0.30	2,159,265
31 December 2020	31 December 2023	\$0.60	5,500,000

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

**Performance Shares**

The following performance shares of Sparc Technologies Limited were issued during the year ended 30 June 2021 and up to the date of this report:

Grant Date	Expiry Date	Exercise Price	Number under option
12 November 2020	12 November 2025	nil	4,750,000
1 March 2021	1 March 2026	nil	2,250,000

The performance shares have no fixed vesting date. The performance shares will convert into ordinary shares in the company on a one for one basis where on satisfaction of the following milestone: (1) GTS generates annual Operating Revenue of at least \$3 million from the Graphene projects or Graphene Technology over an audited financial year; and (2) the Company achieves a market capitalisation (based on the Company's VWAP) of \$50 million or more.

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**Directors' report**  
**30 June 2021**

Performance shares issued by the Company carry no rights to dividends, hold no voting rights, capital or wind up rights and are not transferable.

**Indemnity and insurance of officers**

The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

**Indemnity and insurance of auditor**

The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

**Proceedings on behalf of the company**

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

**Non-audit services**

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 25 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 25 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

**Officers of the company who are former partners of BDO Audit Pty Ltd**

There are no officers of the company who are former partners of BDO Audit Pty Ltd.

**Auditor's independence declaration**

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

**Auditor**

During the year the Company changed its Auditors. Pitchers Partners WA the auditors of Acacia Coal Limited resigned in June 2021 and BDO Audit Pty Ltd were appointed. BDO Audit Pty Ltd will be nominated to continue in office in accordance with section 327 of the Corporations Act 2001 at the Company's forthcoming annual general meeting.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors



Stephen Hunt  
Director

26 August 2021 (Adelaide)

**DECLARATION OF INDEPENDENCE  
BY ANDREW TICKLE  
TO THE DIRECTORS OF SPARC TECHNOLOGIES LIMITED**

As lead auditor of Sparc Technologies Limited for the year ended 30 June 2021, I declare that, to the best of my knowledge and belief, there have been:

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

This declaration is in respect of Sparc Technologies Limited and the entities it controlled during the period.



Andrew Tickle  
Director

**BDO Audit Pty Ltd**

Adelaide, 26 August 2021

## Sparc Technologies Limited

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### General information

The financial statements cover Sparc Technologies Limited as a Group consisting of Sparc Technologies Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Sparc Technologies Limited's functional and presentation currency.

Sparc Technologies Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

#### Registered office

Sparc Technologies Limited  
Level 2  
480 Collins Street  
Melbourne VIC 3000

#### Principal place of business

Sparc Technologies Limited  
51 Rundle Street  
Adelaide SA 5067

A description of the nature of the Group's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 26 August 2021. The directors have the power to amend and reissue the financial statements.

Sparc Technologies Limited  
Statement of financial position  
As at 30 June 2021

**Consolidated statement of profit or loss and other comprehensive income  
for the year ended 30 June 2021**

Consolidated Group			
	Note	Year ended 30 Jun 2021 \$	Year ended 30 Jun 2020 \$
<b>Revenue</b>			
Other Income	5	71,958	185,602
<b>Expenses</b>			
Research and development		637,124	927,746
Professional and consulting fees		377,328	295,260
Travel		39,594	42,136
Share based payments	21	980,054	217,200
Listing expense		16,083	-
Employee Expenses		691,122	72,901
Recapitalisation expense	4	2,211,123	-
Depreciation and amortization	12/13	106,908	4,053
Interest on lease liabilities	23	14,874	-
Other expenses		442,161	52,147
<b>Total Operating expenses</b>		<b>5,516,371</b>	<b>1,611,443</b>
<b>(Loss) before income tax expense</b>		<b>(5,444,415)</b>	<b>(1,425,841)</b>
Income tax expense	7	-	-
<b>(Loss) for the year</b>		<b>(5,444,415)</b>	<b>(1,425,841)</b>
Other comprehensive income		-	-
<b>Total comprehensive loss attributable to equity holders of the parent entity</b>		<b>(5,444,415)</b>	<b>(1,425,841)</b>
<b>Earnings per share for loss attributable to equity holders of the parent entity:</b>			
Basic (cents per share)	34	(9.68)	(5.99)
Diluted (cents per share)	34	(9.68)	(5.99)

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



Sparc Technologies Limited  
Statement of changes in equity  
For the year ended 30 June 2021

Consolidated statement of financial position as at 30 June 2021

Consolidated Group			
Note	Year ended 30 Jun 2021 \$	Year ended 30 Jun 2020 \$	
<b>Current assets</b>			
Cash and cash equivalents	8	2,933,406	53,995
Receivables	9	20,546	86,034
Other	10	20,188	
Current tax assets	7	199,731	135,602
<b>Total current assets</b>		<b>3,173,871</b>	<b>275,631</b>
<b>Non-current assets</b>			
Financial Assets	11	108	79,757
Property, plant and equipment	12	356,931	-
Other assets	15	30,356	-
Intangible assets	14	10,938	-
Right of use asset	13	453,002	-
<b>Total non-current assets</b>		<b>851,335</b>	<b>79,757</b>
<b>Total assets</b>		<b>4,025,206</b>	<b>355,388</b>
<b>Current liabilities</b>			
Trade and other payables	16	115,855	418,417
Employee Benefits	17	28,382	-
Lease liability	18	100,900	-
<b>Total current liabilities</b>		<b>245,137</b>	<b>418,417</b>
<b>Non-current liabilities</b>			
Lease liability	19/23	390,088	-
<b>Total non-current liabilities</b>		<b>390,088</b>	<b>-</b>
<b>Total liabilities</b>		<b>635,225</b>	<b>418,417</b>
<b>Net assets/(deficit)</b>		<b>3,389,981</b>	<b>(63,029)</b>
<b>Equity</b>			
Issued capital	20	9,345,737	1,328,639
Reserves	21	1,127,527	247,200
Accumulated (losses)	22	(7,083,283)	(1,638,868)
<b>Total equity/(deficit)</b>		<b>3,389,981</b>	<b>(63,029)</b>

**Sparc Technologies Limited**  
**Statement of changes in equity**  
**For the year ended 30 June 2021**

**Consolidated statement of changes in equity for the year ended 30 June 2021**

	Not e	Contributed Equity	Share based payment	Accumulated Losses	Total
<b>Balance as at 1 July 2019</b>		444,640	-	(213,027)	231,613
Loss for the year		-	-	(1,425,841)	(1,425,841)
<b>Total Comprehensive loss for the year</b>		-	-	(1,425,841)	(1,425,841)
<b>Transactions with owners in their capacity as owners:</b>					-
Shares issued, net of transaction costs, in the year		883,999			883,999
Share based payment expense in the year			247,200		247,200
<b>Total transactions with owners in their capacity as owners</b>		883,999	247,200	-	1,131,199
<b>Balance as at 30 June 2020</b>		1,328,639	247,200	(1,638,868)	(63,029)
<b>Balance at 1 July 2020</b>		1,328,639	247,200	(1,638,868)	(63,029)
Shares issued for the reverse acquisition of the Company in the year	20	4,067,792	-	-	4,067,792
Share based payment expense in the year	21	-	980,054	-	980,054
Shares issued, net of transaction costs, in the year	20	3,669,306	80,273	-	3,749,579
Shares issued to management and advisors in the year	20	280,000	(180,000)		100,000
<b>Total of transactions with owners</b>		8,017,098	880,327	-	8,897,425
(Loss) for the year				(5,444,415)	(5,444,415)
Other comprehensive income for the year					-
<b>Total comprehensive loss for the year</b>		-	-	(5,444,415)	(5,444,415)
<b>Balance as at 30 June 2021</b>		9,345,737	1,127,527	(7,083,283)	3,389,981

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

Sparc Technologies Limited  
Statement of changes in equity  
For the year ended 30 June 2021

**Consolidated statement of cash flows for the year ended 30 June 2021**

	Note	Consolidated Group	
		Year ended 30 Jun 2021 \$	Year ended 30 Jun 2020 \$
<b>Cash flows from operating activities</b>			
Payments to suppliers and employees		(2,360,872)	(639,316)
Other Income		7,900	
R&D tax refund		-	27,188
<b>Net cash (used in) operating activities</b>	29	<b>(2,352,972)</b>	<b>(612,128)</b>
<b>Cash flows from investing activities</b>			
Payment for intangible assets		(10,938)	-
Payment for property, plant and equipment		(316,970)	(63,881)
Purchase of Financial Assets		(179)	-
Cash acquired by reverse acquisition		1,854,889	-
<b>Net cash provided by/(used in) investing activities</b>		<b>1,526,802</b>	<b>(63,881)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		4,000,000	379,998
Share issue costs		(250,419)	-
Payment for lease liabilities (principal and interest)		(44,000)	-
<b>Net cash provided by financing activities</b>		<b>3,705,581</b>	<b>379,998</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>2,879,411</b>	<b>(296,011)</b>
Cash and cash equivalents at the beginning of the year		53,995	350,006
<b>Cash and cash equivalents at the end of the year</b>	8	<b>2,933,406</b>	<b>53,995</b>

The above Consolidated statement of cashflows should be read in conjunction with the accompanying notes.

## Notes to the Financial Statements

### Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### **New or amended Accounting Standards and Interpretations adopted**

A number of new and amended accounting standards are effective for the current reporting period, however, the change to the Group's accounting policies arising from these standards has not required the Group to make retrospective adjustments as a result of adopting these standards. The adoption of the new and amended accounting standards has therefore had no material impact on the Group for the year ended 30 June 2021.

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

This Standard amends AASB 101 Presentation of Financial Statements and AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors as well as making consequential amendments to several other Standards and pronouncements. The Group has adopted these amendments in the current year and note that this has not impacted on the reporting of the Group. The amendments make the definition of "material" in AASB 101 easier to understand and are not intended to change the underlying concept of materiality. Now included in the definition is the concept of 'obscuring' material information with immaterial information.

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

The amendments introduced by this standard are consequential amendments to the Australian Accounting Standards, Interpretations and other pronouncements impacted by the issue of the Conceptual Framework for Financial Reporting (Conceptual Framework) by the AASB. The Group has adopted these amendments which have had no impact on the reporting of the Group. The amendments update the relevant pronouncements to refer to the new Conceptual Framework or to provide clarity as to which version is being referenced.

#### ***AASB 2020-4 Amendments to Australian Accounting Standards – COVID-19 Related Rent Concessions***

The amendments provide a practical solution for lessees accounting for leases as required under AASB 16 whereby the lessee may elect not to assess whether a COVID-19 related rent concession is a lease modification which would otherwise require the lessee to recalculate its position under the lease. The solution provided by the amendment can only be accessed where the rent concessions are a direct consequence of COVID-19 and certain other criteria are met. The Group received no COVID-19 related rent concessions in the period.

#### **Other amendments and interpretations relevant to the Group in a future period**

A number of new and amended Accounting Standards and Interpretations have been issued that have mandatory application dates for future reporting periods, some of which are relevant to the Group. The Group has decided not to early adopt any of these new and amended pronouncements. The Group is currently in the process of assessing the following new and amended pronouncements:

- *AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current (applicable for annual reporting periods beginning on or after 1 January 2023).*  
AASB 2020-1 amends AASB 101 Presentation of Financial Statements to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current. This Standard is not expected to significantly impact the Group's financial statements.
- *AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments (applicable for annual reporting periods beginning on or after 1 January 2022).*  
AASB 2020-3 amends AASB 1 First-time Adoption of Australian Accounting Standards, AASB 3 Business Combinations, AASB 9 Financial Instruments, AASB 116 Property, Plant and Equipment, AASB 137 Provisions, Contingent Liabilities and Contingent Assets and AASB 141 Agriculture as a consequence of the recent issuance by IASB of the following IFRS: Annual Improvements to IFRS Standards 2018-2020, Reference to the Conceptual Framework, Property, Plant and Equipment: Proceeds before Intended Use and Onerous Contracts – Cost of Fulfilling a Contract. This Standard is not expected to significantly impact the Group's financial statements.

**Sparc Technologies Limited**  
**Notes to the financial statements**  
**30 June 2021**

**Basis of preparation**

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

*Historical cost convention*

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

*Critical accounting estimates*

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

**Parent entity information**

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 28.

**Principles of consolidation**

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Sparc Technologies Limited ('company' or 'parent entity') as at 30 June 2021 and the results of all subsidiaries for the year then ended. Sparc Technologies Limited and its subsidiaries together are referred to in these financial statements as the 'Group'.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

**Foreign currency translation**

The financial statements are presented in Australian dollars, which is Sparc Technologies Limited's functional and presentation currency.

*Foreign currency transactions*

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

**Revenue recognition**

The Group recognises revenue as follows:

*Interest*

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

*Other revenue*

Other revenue is recognised when it is received or when the right to receive payment is established.

**Government grants**

Government grants relating to costs are recognised in profit or loss as other income over the period necessary to match them with the costs that they are intended to compensate.

**Sparc Technologies Limited**  
**Notes to the financial statements**  
**30 June 2021**

**Income tax**

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

The group has incurred significant losses in conducting its business. No income tax expense has been provided, however tax losses may be available when the Group is able to generate sufficient income in the future.

The Group is not currently consolidated under the tax consolidation regime.

**Current and non-current classification**

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

**Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**Trade and other receivables**

Trade receivables are generally due for settlement within 30 days.

**Plant and equipment**

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Leasehold improvements	3-10 years
Plant and equipment	3-7 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus relating to the item disposed of is transferred directly to retained profits.

**Right-of-use assets**

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

**Sparc Technologies Limited**  
**Notes to the financial statements**  
**30 June 2021**

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

**Intangible assets**

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

*Research and development*

Research costs are expensed in the period in which they are incurred.

*Patents and trademarks*

Significant costs associated with patents and trademarks are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years.

**Trade and other payables**

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

**Lease liabilities**

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

**Finance costs**

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

**Provisions**

Provisions are recognised when the Group has a present (legal or constructive) obligation as a result of a past event, it is probable the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

**Employee benefits**

*Short-term employee benefits*

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

**Sparc Technologies Limited**  
**Notes to the financial statements**  
**30 June 2021**

*Defined contribution superannuation expense*

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

*Share-based payments*

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

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

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

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

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

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

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

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

**Fair value measurement**

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

**Issued capital**

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.



**Sparc Technologies Limited**  
**Notes to the financial statements**  
**30 June 2021**

**Dividends**

Dividends are recognised when declared during the financial year and no longer at the discretion of the company.

**Earnings per share**

*Basic earnings per share*

Basic earnings per share is calculated by dividing the profit attributable to the owners of Sparc Technologies Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

*Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

**Goods and Services Tax ('GST') and other similar taxes**

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

**New Accounting Standards and Interpretations not yet mandatory or early adopted**

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2021. The Group has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

**Note 2: Accounting policies applied for the first time**

The following accounting policies have been applied by the Group for the first time for the year ended 30 June 2021.

**Lease assets**

At the commencement date of a lease (other than leases of 12-months or less and leases of low value assets), the Group recognises a lease asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

Lease assets are initially recognised at cost, comprising the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date of the lease, less any lease incentives received, any initial direct costs incurred by the Group, and an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Subsequent to initial recognition, lease assets are measured at cost (adjusted for any remeasurement of the lease liability), less accumulated depreciation and any accumulated impairment loss.

Lease assets are depreciated over the shorter of the lease term and the estimated useful life of the underlying asset, consistent with the estimated consumption of the economic benefits embodied in the underlying asset.

*Lease liabilities*

At the commencement date of a lease (other than leases of 12-months or less and leases of low value assets), the Group recognises a lease asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

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Lease liabilities are initially recognised at the present value of the future lease payments (i.e., the lease payments that are unpaid at the commencement date of the lease). These lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined, or otherwise using the Group's incremental borrowing rate.

Subsequent to initial recognition, lease liabilities are measured at the present value of remaining lease payments (i.e., the lease payments that are unpaid at the reporting date). Interest expense on lease liabilities is recognised in profit or loss (presented as a component of finance costs). Lease liabilities are remeasured to reflect changes to lease terms, changes to lease payments and any lease modifications not accounted for as separate leases.

Variable lease payments not included in the measurement of lease liabilities are recognised as an expense when incurred.

*Leases of 12-months or less and leases of low value assets*

Lease payments made in relation to leases of 12-months or less and leases of low value assets (for which a lease asset and a lease liability has not been recognised) are recognised as an expense on a straight-line basis over the lease term.

The application of the above accounting policy for the year ended 30 June 2021 resulted in the recognition of a right-of-use asset with an aggregate carrying amount of \$453,002 (referred to in these financial statements as "Right-of-use asset") and a corresponding lease liability as at 1 November 2020. The weighted average incremental borrowing rate applied in the calculation of the initial carrying amount of lease liabilities is 4.39%.

**Note 3. Critical accounting judgements, estimates and assumptions**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

*Coronavirus (COVID-19) pandemic*

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Group based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the Group operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Group unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

*Share-based payment transactions*

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity. Refer to note 21 for further information.

*Estimation of useful lives of assets*

The Group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

*Income tax*

The Group is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on the Group's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

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*Recovery of deferred tax assets*

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

*Lease term*

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the Group's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The Group reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

*Incremental borrowing rate*

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the Group estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

*Employee benefits provision*

As discussed in note 1, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

**Note 4. Reverse acquisition accounting**

On 12 November 2020 the Company announced the completion of the acquisition (the "Acquisition") of 100% of the shares of Graphene Technology Solutions Limited (ACN 629 889 550) ("GTS") a South Australian business involved in the research and development of new technologies for environmental and biomedical applications using graphene.

As detailed in the Company's prospectus dated 5 October 2020 ("the Prospectus"), the Acquisition involved a significant change to the nature of the Company's main business activity from mineral exploration and resource investment to research and development of new technologies for environmental and biomedical applications using graphene. Furthermore, the Acquisition involved an increase in the size of the Company's business operations.

The Share Purchase Agreement (the "SPA") relating to the Acquisition was entered into on 22 July 2020. Under the SPA the Company agreed to consolidate its issued capital on a 200 to 1 basis and then acquire all of the ordinary shares in GTS and in return issue 29,500,000 fully paid ordinary shares. The Acquisition was completed on 12 November 2020.

As part of the broader transaction, 7,000,000 performance shares issued as remuneration to proposed Directors and key management personnel will, subject to satisfaction of certain milestones relating to GTS EBITDA revenue and market valuation goals, convert into fully paid shares over 2021, 2022 and 2023 (or will otherwise lapse)

Completion of the acquisition was conditional on certain conditions being satisfied which have occurred:

- the Company completing the issued capital consolidation (on a 200 to 1 basis);
- the Company raising a minimum of \$4,000,000 (before costs) through the issue of a maximum of 20,000,000 shares at an issue price of \$0.20 per share via the Public Offer;
- execution of all necessary Restriction Agreements required by ASX or the Listing Rules imposing such restrictions on trading of shares as mandated by the Listing Rules;
- the Company obtaining all third-party consents and regulatory approvals which may be required to undertake the Acquisition; and
- ASX confirming that it will reinstate the Company's shares to trading on ASX subject only to the satisfaction of customary terms and conditions which are acceptable to the Company acting reasonably.

The acquisition of GTS did not meet the definition of a business combination in accordance with AASB 3 Business Combinations ("AASB 3"). Instead, the acquisition has been treated as a group recapitalisation, using principles of reverse acquisition accounting in AASB 3

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given the substance of the transaction is that the Company has effectively been recapitalised with GTS operations being the ongoing business. Accordingly, the consolidated financial statements have been prepared as if GTS had acquired the Company and not vice-versa as represented by the legal position. The recapitalisation is measured at the fair value of the equity instruments that would have been given by GTS to have exactly the same percentage holding in the new structure at the date of the transaction.

As the activities of the Company would not constitute a business based on the requirements of AASB 3, the excess of the deemed consideration over the fair value of the Company, as calculated in accordance with the reverse acquisition accounting principles and with AASB 2 Share Based Payments, is considered to be payment for a group restructure and has been expensed as a recapitalisation expense.

Concurrent with the acquisition of GTS, the company successfully raised \$4,000,000 (before costs) through the Prospectus offering 20,000,000 new ordinary at \$0.20 per share and re-complied with ASX listing rules.

The Company's acquisition of 100% of the issued capital of GTS resulted in the Company issuing the following:

- 29,500,000 shares to the shareholders of GTS;
- 7,000,000 performance shares to be issued to proposed directors and key management personnel;
- 2,159,625 options to the lead manager and advisors in lieu of fees, transaction costs; and
- 625,000 shares to the lead manager and advisors in lieu of fees, transaction costs

As the Company is deemed to be the acquiree for accounting purposes, the carrying values of assets and liabilities are required to be recorded at fair value for the purposes of the Acquisition. No adjustments were required to the historical values to effect this change.

	\$
29,500,000 fully paid ordinary vendor shares	4,067,792
<b>Total deemed consideration</b>	<b>4,067,792</b>
Cash and cash equivalents	1,854,889
Trade and other receivables	34,326
Other current assets	14,612
	1,903,827
Trade payables	(47,158)
<b>Fair value of net assets</b>	<b>1,856,669</b>
<b>Excess of fair value of net assets recognised as a recapitalisation expense</b>	<b>2,211,123</b>

The impact of the group restructure on each of the primary statements is as follows:

*Consolidated statement of profit or loss and other comprehensive income*

- The 30 June 2021 statement of profit or loss and comprehensive income comprises of GTS and the period since 12 November 2020 of the Company.
- The 30 June 2020 statement of profit or loss and other comprehensive income comprises of GTS only.

*Consolidated statement of financial position*

- The statement of financial position as at 30 June 2021 represents both the Company and GTS.
- The statement of financial position as at 30 June 2020 represents GTS only.

*Consolidated statement of changes in equity*

- The 30 June 2021 statement of changes in equity comprises GTS equity balance as at 1 July 2020, its loss for the year and transactions with equity holders for the year to 30 June 2021. It also comprises the Company's loss and transactions with equity holders since 12 November 2020 and the equity balances of the Company and GTS as at 30 June 2021.
- The 30 June 2020 statement of changes in equity comprises GTS only.

*Consolidated statement of cash flows*

- The 30 June 2021 statement of cash flows comprises of GTS and the period since 12 November 2020 of the Company.
- The 30 June 2020 statement of cash flows comprises GTS only.

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**Adjustment to amounts reported for the half-year ended 31 December 2020**

During the preparation of the accounts for the half-year ended 31 December 2020, the Directors took professional advice with respect to the application of the principles of reverse acquisition accounting in AASB 3 "Business Combinations" and the accounts were prepared on that basis. During the preparation of the accounts for the full year ended 30 June 2021 the Directors reviewed this professional advice and the interpretation of the principles of reverse acquisition accounting was revisited and discussed during the audit process. As a result, the Directors have revised their interpretation of the principles of reverse acquisition accounting with respect to two aspects of the acquisition transaction and adjustments were required in relation to transactions and balances reported in the Company's financial report for the half-year ended 31 December 2020. Due to the nature of the adjustments there is no impact on the net asset position reported, however the reported loss and components of equity have been amended

The impact on the reported statement of profit or loss and other comprehensive income was as follows;

	Note	Half-year ended 31 Dec 2020 \$	Adjustments	Restated Half-year ended 31 Dec 2020
<b>Revenue</b>				
		2,650	-	2,650
Other Income				
<b>Expenses</b>				
Research and development		313,862	-	313,862
Professional and consulting fees		278,058	-	278,058
Travel		10,560		10,560
Share based payments	(a), (b)	279,152	37,183	316,335
Listing expense		8,586		8,586
Employee Expenses		63,186		63,186
Recapitalisation expense	(a)	1,543,042	668,081	2,211,123
Depreciation and amortisation		35,803		35,803
Interest on lease liabilities		3,798		3,798
Other expenses		120,406		120,406
<b>Total Operating expenses</b>		<b>2,656,453</b>	<b>705,264</b>	<b>3,361,717</b>
<b>(Loss) before income tax expense</b>		<b>(2,653,803)</b>	<b>705,264</b>	<b>(3,359,067)</b>
Income tax expense		-	-	
<b>(Loss) for the year</b>		<b>(2,653,803)</b>	<b>705,264</b>	<b>(3,359,067)</b>
Other comprehensive income				
<b>Total comprehensive loss attributable to equity holders of the parent entity</b>			<b>705,264</b>	<b>(3,359,067)</b>
		<b>(2,653,803)</b>		

The Impact on closing equity was as follows;

	Note	Half-year ended 31 Dec 2020 \$	Adjustments	Restated Half-year ended 31 Dec 202
<b>Equity</b>				
Issued capital	(a), (b)	7,765,408	1,580,323	9,345,731
Reserves	(a), (b)	1,338,868	(875,059)	463,809
Accumulated (losses)		(4,292,671)	(705,264)	(4,997,935)

Note (a) – Reverse Acquisition Accounting

The reverse acquisition calculations at 31 December 2020 included the 7,000,000 performance shares as consideration for the transaction having the impact of increasing consideration and subsequently the recapitalisation expense by \$992,516. This interpretation of the reverse acquisition accounting principles of AASB 3 is now considered to be incorrect. These amounts were remuneration for

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proposed Directors and key management personnel and should have been expensed over the expected vesting period of five years. The value of this expense for the six months to 31 December 2020 is \$76,682.

In addition new shares issued as part of the prospectus, together with shares issued to advisors and these were also included in the share consideration calculation at 31 December 2020. This interpretation of the reverse acquisition accounting principles of AASB 3 is now considered to be incorrect. The impact of their inclusion reduced the number of equity instruments that would have been given by GTS to have exactly the same percentage holding in the new structure at the date of the transaction. Applying the principles of AASB 3 correctly meant that these shares should have been excluded as they did not directly relate to the transaction between the existing shareholder groups. This had the impact of increased consideration, share capital issued and the recapitalisation expense by \$1,660,597.

As a result of the revised interpretation of the reverse acquisition principles of AASB 3 for these two aspects of the transaction the total recapitalisation expense increased by \$668,601 compared with the recapitalisation expense reported at 31 December 2020

Note (b) – Share based payments

- (i) The Group issued options to advisors as compensation for services in relation to the acquisition and capital raising. In the published half-year financial statements, these options were recorded as a share based payment expense. A portion of these options can be directly linked to the issuance of new capital and therefore could be recorded as share issue costs in equity. This amounts to \$80,274 being debited to share capital. The amount is retained in the share based payments reserve until the options are exercised or expire.
- (ii) As a result of the Acquisition, the previous Executive Service Agreement (“ESA”) relating to Mr Tom Spurling was superseded. Consequently, the right to performance shares included in the ESA has expired. In the published half-year financial statements, \$100,800 was expensed to recognise the full fair value. A further \$40,775 was required to be expensed to achieve full fair value of \$208,775.

**Note 5. Other Income**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
Interest	5,350	-
Rent	2,550	-
Other	(71)	-
R&D Incentive	64,129	135,602
Exclusivity Agreement	-	50,000
	<b>71,958</b>	<b>185,602</b>

**Note 6. Expenses**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
Profit before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Leasehold Improvements	3,823	-
Plant & Equipment	35,973	4,053
Building right-of use assets	67,112	-
Total Depreciation	<b>106,908</b>	<b>4,053</b>
<i>Finance Costs</i>		
Interest charges on building lease	14,874	-
<i>Superannuation Expense</i>		
Defined contribution superannuation expense	57,223	2,312
<i>Share-based payments expense</i>		
Share-based payments expense	980,054	217,200
<i>Research costs</i>		
Research Costs	637,124	459,152

**Note 7. Income tax expense**

	Consolidated	
	2021	2020
(a) Current tax receivable		
Opening balance	135,602	27,188
R&D tax incentive - refundable	64,129	135,602
Refunds received	-	(27,188)
	199,731	135,602

The Company and its subsidiaries are currently not consolidated for tax purposes. During the past financial year the Reverse Acquisition of Acacia Coal Limited by Graphene Technology Solutions Limited resulted in a significant change in the shareholder base as well as a change in the business operations. The Company has formed an initial view that Sparc Technologies Limited (formerly Acacia Coal Limited) will not be eligible to utilise its carried forward losses as a result of not meeting the Continuity of Ownership Test (COT) and the Same Business Test (SBT).

The Company has a view that Sparc Operations Pty Ltd (formerly Graphene Technology Solutions Limited) a subsidiary of the Company whilst not satisfying "COT" may satisfy "SBT". Based on this position at 30 June 2021 the available tax losses are \$1,985,372 (30 June 2020: \$1,280,005)

The income tax return of Sparc Operations Pty Ltd for the year ended 30 June 2021 has not yet been submitted for assessment and may be subject to change due to a significant amount of eligible research and development expenditure, which may alter the level of deductible expenditure therefore impacting the amount of the tax loss for the year.

**Note 8. Current assets - cash and cash equivalents**

	Consolidated	
	2021	2020
Cash at bank	2,933,406	53,995
<i>Reconciliation to cash and cash equivalents at the end of the financial year</i>		
The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows as follows:		
Balances as above	2,933,406	53,995
Balance as per statement of cash flows	2,933,406	53,995

**Note 9. Current assets - trade and other receivables**

	Consolidated	
	2021	2020
Other Debtors	440	55,000
GST Credits	20,106	31,034
	20,546	86,034

**Note 10. Current assets – other**

	Consolidated	
	2021	2020
Prepayments	20,188	-

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**Note 11 Non-current assets - financial assets at fair value through profit or loss**

	Consolidated	
	2021	2020
Listed ordinary shares - designated at fair value through profit or loss	108	-
(a) <i>Reconciliation</i>		
Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out below:		
Opening fair value	179	-
Revaluation reduction	71	-
Closing fair value	108	-

The group holds financial assets at FVTPL that have been revalued and reported at fair value at balance date. Any revaluation gain or loss are recognised in profit and loss. When financial assets are disposed of, it will be recognised in profit or loss at that time.

(b) Fair value hierarchy

The following table provides the fair value classification of those assets and liabilities held by the Group that are measured either on a recurring or non-recurring basis at fair value.

	Level 1
	\$
<i>Financial assets at fair value through profit or loss</i>	
30-Jun-21	108
30-Jun-20	179

*Fair value measurement hierarchy*

The Group is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective. The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

**Note 12. Non-current assets - property, plant and equipment**

	Consolidated	
	2021	2020
Leasehold improvements at cost	66,577	-
Less accumulated depreciation	(3,823)	-
	62,754	-
Plant and Equipment at Cost	334,484	84,091
Less accumulated depreciation	(40,307)	(4,334)
	294,177	79,757

*Reconciliations*

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below

	Leasehold Improvements	Plant and equipment	Total
Balance at 1 July 2019	-	20,210	20,210
Additions		63,881	63,881
Depreciation expense		(4,334)	(4,334)
Balance at 30 June 2020	-	79,757	79,757



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Additions	66,577	250,393	316,970
Depreciation expense	(3,823)	(35,973)	(39,796)
Balance at 30 June 2021	62,754	294,177	356,931

**Note 13. Non-current assets - right-of-use assets**

	Consolidated	
	2021	2020
Land and Buildings -right-of-use	520,114	-
Less Accumulated depreciation	(67,112)	-
	453,002	-

Additions to the right of use assets during the year were \$520,114.

The Group leases land and buildings for its offices and research facilities under a five-year agreement with an option to extend for a further term. The lease has an annual rent reviews to CPI and a market review if renewed..

**Note 14. Non-current assets – intangibles**

	Consolidated	
	2021	2020
Patents - at cost	10,938	-
Less Accumulated amortisation	0	-
	10,938	-

*Reconciliations*

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Patents
Balance at 1 July 2019	-
Additions	-
Disposals	-
Depreciation expense	-
Balance at 30 June 2020	-
Additions	10,938
Disposals	-
Depreciation expense	-
Balance at 30 June 2021	10,938

**Note 15. Non-current assets- other**

	Consolidated	
	2021	2020
Deposits on capital purchases	356	-
Security bond	30,000	-
	30,356	-

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**Note 16. Current liabilities - trade and other payables**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
Trade payables	27,334	-
Other payables	88,521	418,417
	<u>115,855</u>	<u>418,417</u>

**Note 17. Current liabilities - employee benefits**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
Employee benefits	28,382	-

The current provision for employee benefits includes all unconditional entitlements where employees have completed the required period of service. The entire amount is presented a current since the Group does not have an unconditional right to defer settlement.

**Note 18. Current liabilities - lease liabilities**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
Lease liability	100,900	-

**Note 19. Non-current liabilities - lease liabilities**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
Lease liability	390,088	-

**Note 20. Equity - issued capital**

	<b>30 June 2021</b>		<b>30 June 2020</b>	
	<b>No.</b>	<b>\$</b>	<b>No.</b>	<b>\$</b>
Balance at beginning of year	29,910,100	1,328,638	22,509,598	444,640
Shares issued in GTS to consultants and management <sup>1</sup>	2,333,334	280,000	-	-
	32,243,434	1,608,638		
Exchange of GTS shares for the Company shares	(32,243,434)	-	-	-
The Company shares on issue at date of legal acquisition:				
Shares on issue as at 12 November 2020	4,067,651,670	-	-	-
Consolidation on a 1:200 basis <sup>2</sup>	(4,047,313,412)	-	-	-
Shares on issue as at 12 November post consolidation	20,338,258	1,608,638		
Shares issued for acquisition of GTS <sup>3</sup>	29,500,000	4,067,792	-	-
Shares issued to advisors <sup>4</sup>	625,000	125,000		
Share placement <sup>5</sup>	20,000,000	4,000,000	-	-
Share placement – year ended 30 June 2020	-	-	7,400,502	883,998
Share issue costs	-	(455,693)	-	-
Balance at end of year	<u>70,463,258</u>	<u>9,345,737</u>	<u>29,910,100</u>	<u>1,328,638</u>

**Footnotes to Note 20. Equity – issued capital above**

1 On the 14th July 2020, 1,500,000 shares were issued to consultants and management at \$0.12 per share. The expense for these shares had been recognised as a share-based payment in the year ended 30 June 2020. 833,334 shares were also issued to a consultant in settlement of an outstanding invoice as at 30 June 2020.

2 On 21 September 2020, the Group lodged its Notification of Consolidation/Split with the ASX. The Group received shareholder approval at its general meeting held on 26 October 2020 to perform a consolidation on a 1:200 basis.

3 On 12 November 2020, 29,500,000 shares were issued to the vendors of GTS in exchange for 100% ownership of GTS.

4 On 12 November 2020, 625,000 shares were issued to advisors at \$0.20 per share in lieu of fees.

5 On 12 November 2020, 20,000,000 shares were issued to sophisticated and professional investors at a price of \$0.20 per share.

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All shares are issued and fully paid, none authorised but not issued

Refer below and Note 21 for details on performance shares. At the end of the reporting period there were 7 million performance shares outstanding.

*Capital risk management*

The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position. The Group has no borrowings.

In order to maintain or adjust the capital structure, the Group may, return capital to shareholders, issue new shares or sell assets to increase cash.

The Group will look to raise capital when an opportunity to invest in new technology, a business or company is seen as value adding relative to the current company's share price at the time of the investment.

**Performance Shares**

As at the 30 June 2021 there are 7,000,000 performance shares on issue with nil exercise price. Performance shares issued by the Company carry no rights to dividends, hold no voting rights, capital or wind up rights. The performance shares expire five years from issue. To the extent that a milestone for a performance share has not been achieved by expiry, such performance shares will automatically consolidate into a sum total of one performance share, which will then convert into one ordinary share.

The performance shares will convert into ordinary shares on a one-for-one basis upon satisfaction of the following milestones:

- GTS generating annual operating revenue of at least \$3,000,000 from the Graphene Projects or Graphene Technology over an audited financial year; and
- the Company achieving a market capitalisation (based on the Company's VWAP) of \$50,000,000 or more.

**Note 21. Equity - reserves**

**Share based payment reserve**

	30 June 2021	30 June 2020
	\$	\$
Option reserve	778,402	180,000
Performance share reserve	349,126	67,200
Share based payment reserve at end of year	1,127,528	247,200

The Share based payment reserve arises on the grant of share options and performance shares to executives, employees, consultants and advisors and upon issue of share options and performance shares to shareholders or buyers. Amounts are transferred out of the share based payment reserve and into accumulated losses when the share options and performance shares expire or lapse.

**Movement in Share based payment reserve - options**

	30 June 2021	30 June 2020
	\$	\$
Balance at beginning of year	180,000	-
Issue of shares to consultants and management <sup>1</sup>	(180,000)	180,000
Issue of options to consultants <sup>2</sup>	178,352	-
Issue of options to consultants <sup>4</sup>	436,400	-
Issue of options to employees <sup>3</sup>	163,650	-
Balance at end of year	778,402	180,000

<sup>1</sup> On the 14<sup>th</sup> July 2020, 1,500,000 shares were issued to consultants and management at \$0.12 per share. The expense for these shares had been recognised as a share based payment for the year ended 30 June 2020. Accordingly the corresponding share expense has been transferred to contributed equity.

<sup>2</sup> On the 12<sup>th</sup> November 2020 2,159,265 options were issued to consultants with an exercise price of \$0.30 and an expiry date of 3 years from the date of issue. \$98,078 of the value was expensed as a share based payment and \$80,274 was debited to share capital as share issue costs.

The value of the options was determined based on the Black Scholes model using the following assumptions:

- Dividend yield: nil %

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- Expected volatility: 80%
- Risk free interest rate: 0.27%
- Expected life of options (years): 3
- Exercise price: \$0.30
- Grant date share price: \$0.20
- Fair value per option: \$0.083

<sup>3</sup>. On 31 December 2020 1,500,000 options were issued to employees with an exercise price of \$0.60 and an expiry date of 3 years from the date of issue.

<sup>4</sup>. On 31 December 2020 4,000,000 options were issued to consultants with an exercise price of \$0.60 and an expiry date of 3 years from the date of issue.

The value of the options was determined based on the Black Scholes model using the following assumptions:

- Dividend yield: nil %
- Expected volatility: 80%
- Risk free interest rate: 0.11%
- Expected life of options (years): 3
- Exercise price: \$0.60
- Grant date share price: \$0.31
- Fair value per option: \$0.134

Share options issued by the Company carry no rights to dividends and no voting rights. As at the 30 June 2021 there are 8,846,765 (30 June 2020: -) unlisted options are on issue as follows:

- 212,500 options exercisable at \$1.20 each on or before 5 December 2021;
- 975,000 options exercisable at \$0.30 each on or before 9 August 2023;
- 2,159,265 options exercisable at \$0.30 on or before 12 November 2023; and
- 5,500,000 options exercisable at \$0.60 on or before 31 December 2023.

The expense relating to these options has been fully recognised in the current and prior periods as the options have fully vested. During the year 375,000 options expired. There were no other movements in share options on issue.

**Movement in Share based payment reserve – performance shares**

	30 June 2021	30 June 2020
	\$	\$
Balance at beginning of year	67,200	-
Issue of performance shares to Directors <sup>1</sup>	140,351	-
Acceleration of performance shares issued in 2020, cancelled in 2021 <sup>2</sup>	141,575	
Issues of performance shares		67,200
Balance at end of year	349,126	67,200

<sup>1</sup> On 12<sup>th</sup> November 2020 7,000,000 performance shares were issued to Directors with an exercise price of \$nil. The performance shares will convert into ordinary shares on a one-for-one basis upon satisfaction of the following milestones:

- GTS generating annual operating revenue of at least \$3,000,000 from the Graphene Projects or Graphene Technology over an audited financial year; and
- the Company achieving a market capitalisation (based on the Company's VWAP) of \$50,000,000 or more.

The value of the performance shares was determined based on the Monte Carlo model using the following assumptions:

- Dividend yield: nil %
- Expected volatility: 80%
- Risk free interest rate: 0.41%
- Expected life of options (years): 5
- Exercise price: \$nil
- Grant date share price: \$0.20
- Fair value per performance share: \$0.14

The expense relating to these performance shares is being expensed over the expected vesting period of five years.

<sup>2</sup> As a result of the Acquisition, the previous Executive Service Agreement ("ESA") relating to Mr. Tom Spurling was superseded. Consequently the right to performance shares included in the ESA has expired. The expiry has been treated as a cancellation for accounting purposes and hence the remaining expense relating to the valuation calculated at the grant date not yet recognised in the income statement has been accelerated and fully recognised in the year ended 30 June 2021.

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Performance shares issued by the Company carry no rights to dividends and no voting rights. As at the 30 June 2021 there are 7,000,000 performance shares on issue with nil exercise price. The conversion rights are noted above.

**Note 22. Equity - retained profits**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
Retained earnings at the beginning of the financial year	(1,638,868)	(213,027)
Loss after income tax expense for the year	(5,509,082)	(1,425,841)
Retained losses at the end of the financial year	<u>(7,147,950)</u>	<u>(1,638,868)</u>

**Note 23. Commitments**

**Expenditure commitments**

The Group has the following commitments as at 30 June 2021.

The Group entered into a Technology License Agreement (the "TLA") with the University of Adelaide on 6<sup>th</sup> March 2020 to exploit certain technology in accordance with the terms and conditions of the Agreement. As a result of entering into the TLA, as at 30 June 2021, the Group is committed to spending a minimum of \$500,000 per annum on research.

The Group entered into a Strategic Partnership Agreement (the "SPA") with the University of Adelaide on 15<sup>th</sup> January 2020 to work together for the purpose of management and potential commercialisation of the TLA. As a result of entering into the TLA as well as other graphene projects, as at 30 June 2021, the Group is committed to provide \$500,000 per annum towards the Strategic Partnership with the University of Adelaide in 2022 under a project agreement. Amounts spent under the SPA are considered to contribute to the \$500,000 required to be spent under the TLA. The commitment is for a period of four (4) years until 31 December 2023.

The Group entered into a GEIT Hub Collaboration Agreement (the "GHCA") with the University of Adelaide and various parties on 28 June 2017 (and amended on 2 October 2019 and 28 July 2020) to set out the terms of collaboration on the 'Graphene Hub'. As a result of entering into the GHCA, as at 30 June 2021, the Group is committed to spending a minimum of \$80,000.

**Leasing commitments**

The Group entered into a lease for its office facility at 51 Rundle Street, Kent Town, SA on 1 November 2020. The lease term is for an initial 5 years with an option to extend for a further 3 years. At balance date, the Group has assessed the probability of exercising this option as low and have therefore excluded the option period from the lease calculations. The Group does not have an option to purchase the leased asset at the expiry of the lease period.

At the commencement date of a lease (other than leases of 12-months or less and leases of low value assets), the Group recognises a lease asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

Right-of-use asset	<b>Office Lease</b>
Recognised on 1 November 2020 (non-cash)	\$
Amortisation for year	520,114
Carrying amount as at 30 June 2021	(67,112)
	<u>453,002</u>
Lease liability	<b>Office Lease</b>
Recognised on 1 November 2020	\$
Interest expense for year	(520,114)
Payments for lease liabilities for year (change arising from financing activity)	(14,874)
Carrying amount as at 30 June 2021	44,000
	<u>490,988</u>
	<b>As at</b>
	<b>30 Jun 2021</b>
Amounts recognised in statement of cash flows	\$
Interest expense on lease liability for year	14,874
Payments for principal portion of lease liabilities for year	29,126
Total cash outflow in relation to leases for year	<u>44,000</u>

The incremental borrowing rate applied in the calculation of the initial carrying amount of lease liabilities is 4.39%.

**Note 23. Leasing commitments - additional**

**Lease commitments**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
Minimum lease commitments payable (undiscounted):		
1 year or less	120,000	-
Between 1 and 2 years	120,000	-
Between 2 and 3 years	120,000	-
Between 3 and 4 years	120,000	-
Between 4 and 5 years	60,000	-
	540,000	-

**Note 24. Key management personnel disclosures**

*Compensation*

The aggregate compensation made to directors and other members of key management personnel of the Group is set out below:

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
Short term employee benefits	303,456	65,575
Post employment benefits	22,496	2,312
Long term benefits	-	-
Share based payments	391,026	217,200
	716,978	285,087

**Note 25. Remuneration of auditors**

During the financial year the following fees were paid or payable for services provided by the Group's auditors', their network firms and unrelated firms:

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
Audit services - Pitcher Partners BA&A Pty Ltd		
Audit or review of financial statements	13,600	-
Other services - Pitcher Partners BA&A Pty Ltd		
Taxation services	17,950	10,250
Investigating accounting	14,845	-
Accounting	15,614	12,000
	48,409	22,250
	62,009	22,250
Audit services – BDO Audit Pty Ltd		
Audit of financial statements	18,000	5,125
	18,000	5,125

**Note 26. Contingent liabilities**

The group has no contingent liabilities at 30 June 2021.

The group has no contingent assets at 30 June 2021

**Sparc Technologies Limited**  
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**Note 27. Related party transactions**

*Parent entity*

Sparc Technologies Limited is the parent entity.

*Subsidiaries*

Interest in subsidiaries are set out in note 32

*Key management personnel*

Disclosures related to key management personnel are set out in note 24 and the remuneration report included in the directors' report.

*Transactions with related parties*

Some Directors or former Directors of the Group hold or have held positions in other companies, where it is considered they control or significantly influence the financial or operating policies of those entities. Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

During the year ended 30 June 2021, the following transactions occurred with entities considered to be related to the Group:

Discovery Capital Partners Pty Ltd: Fees of \$182,707 were invoiced to the Group and 375,000 shares (valued at \$75,000) and 750,000 options (valued at \$62,250) with an exercise price of \$0.30 and an expiry of three years from the date of their issue were issued to Discovery Capital Partners Pty Ltd in lieu of advisory services provided. Included in creditors as at 30 June 2021 is an amount for \$11,000 owing to Discovery Capital Partners Pty Ltd. Mr. A Santa Maria, the Executive Chairman of the Group until his resignation on 12 November 2020, is a Director of Discovery Capital Partners Pty Ltd.

Red Dog No1 Pty Ltd: Fees of \$15,000 were paid to Red Dog No1 Pty Ltd on behalf of Mr. Richard Wilson.

Minerals and Metals Marketing Pty Ltd: Fees of \$11,000 were invoiced to the Group. Mr. S Hunt, a Director of the Group, is a Director of Minerals and Metals Marketing Pty Ltd.

Mr. Logan Robertson: Fees of \$5,500 were invoiced to the Group. Mr. L Robertson was a Non-Executive Director of the Group until his resignation on 12 November 2020.

Leopard Energy Pty Ltd: Fees of \$4,354 were invoiced to the Group. Leopard Energy Pty Ltd is considered to be a related party of the Group. Mr. Brett Lawrence, a Non-Executive Director of the Group until his resignation on 12 November 2020, is a Director of Leopard Energy Pty Ltd.

**Note 28. Parent entity information**

Set out below is supplementary information about the parent entity.

*Statement of profit or loss and other comprehensive income*

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
Loss of after income tax	(5,663,206)	(1,425,841)
Total comprehensive loss	(5,663,206)	(1,425,841)
<i>Statement of financial position</i>		
Total current assets	3,109,742	275,631
Total assets	3,961,077	355,388
Total current liabilities	245,137	418,417
Total liabilities	635,225	418,417
Equity		
Issued capital	9,345,732	1,328,639
Reserve	1,192,194	247,200
Accumulated losses	(7,302,074)	(1,638,868)
Total equity	3,265,852	(63,029)

**Sparc Technologies Limited**  
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**Note 29. Reconciliation of profit after income tax to net cash from operating activities**

	Consolidated	
	2021	2020
<b>Loss after tax</b>	(5,444,415)	(1,425,841)
Depreciation & amortisation	106,908	4,053
Net fair value loss on investments	71	
Other non-cash expenses		504,000
Interest RTU	14,874	
Share based payments	980,054	247,200
Reverse acquisition costs	2,211,123	
Decrease/(Increase) in receivables	99,814	(53,005)
Increase in Other	(5,576)	
Increase in Tax Receivable	(64,129)	(108,414)
Increase in other assets	(30,357)	(6,209)
(Decrease)/Increase in trade payables	(249,720)	226,088
Increase in employee benefits	28,382	
	<u>3,156,111</u>	<u>813,713</u>
Net cash from operating activities	<u>(2,352,972)</u>	<u>(612,128)</u>

**Note 30. Non-cash investing and financing activities**

	Consolidated	
	2021	2020
Additions to the right of use assets	520,114	0
	<u>520,114</u>	<u>0</u>

**Note 31. Financial risk**

The Group's financial instruments consist mainly of cash at bank and payables.

The Group has not formulated any specific management objectives and policies in respect of debt financing, derivatives or hedging activity. Should the group change its position in the future, a considered summary of these policies will be disclosed at that time.

The Group's current exposure to the risk of changes in the market is managed by the Board. The Board is of the opinion that the carrying amount of the Group's financial instruments approximate their fair value.

**Liquidity risk**

The liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient cash to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

**Note 32. Interests in subsidiaries**

The consolidated financial statements incorporate the assets, liabilities and results of the following wholly owned subsidiaries in accordance with the accounting policy described in note 1:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2021 %	2020 %
Sparc Operations Limited	Australia	100.00%	100.00%
Mt Garnet Mines NL	Australia	100.00%	



**Note 33. Events after the reporting period**

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has not been financially adverse for the Group up to 30 June 2021, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

No other matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

**Note 34. Earnings per share**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Loss after income tax	(5,509,082)	(1,425,841)
Profit after income tax attributable to the owners of Sparc Technologies Limited	<u>(5,509,082)</u>	<u>(1,425,841)</u>
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	56,237,661	23,808,064
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares	-	-
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>56,237,661</u>	<u>23,808,064</u>
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	(9.68)	(5.99)
Diluted earnings per share	(9.68)	(5.99)

## **Directors' Declaration**

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2021 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors



\_\_\_\_\_  
Stephen Hunt  
Chairman

26 August 2021  
Adelaide

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SPARC TECHNOLOGIES LIMITED

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of Sparc Technologies Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for opinion

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

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

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

#### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## Reverse Acquisition

KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN OUR AUDIT
<p>As disclosed in note 4 of the financial report, the company acquired Graphene Technology Solutions Limited (unlisted entity incorporated in Australia). The accounting for the reverse acquisition is a key audit matter due to the effect of the arrangement which is accounted for as Graphene Technology Solutions Limited (the accounting parent) issuing a share based payment in return for the assets acquired in the company and listing status. Furthermore, judgment is involved in the determination of the value of the purchase consideration settled by way of a share-based payment.</p>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>• Obtaining an understanding of the transaction including an assessment of the accounting acquirer and whether the transaction constituted a business or asset acquisition;</li> <li>• Assessing management’s proposed accounting treatment in accordance with applicable accounting standards;</li> <li>• Evaluating the basis of the valuation of the share-based payment (or fair value of consideration) and challenging the underlying assumption of the valuation against comparable transactions and market data.</li> <li>• Checking the calculation of the share based payment, fair value of identifiable net assets acquired, including any separately identifiable intangible assets, and listing expense.</li> <li>• Considering whether any fair values or adjustments to fair values have been dealt with in accordance with generally accepted accounting principles.</li> <li>• Assessing the appropriateness of the acquisition journals at acquisition date and checking that the disclosures in the financial statements are in accordance with the basis of preparation as disclosed in note 4 for the reverse acquisition.</li> <li>• Assessing the adequacy of the related disclosures in the financial report.</li> </ul>

## Share based payments

KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN OUR AUDIT
<p>During the year ended 30 June 2021, the Company issued performance shares and options to employees including key management personnel as well as options to advisors, which were accounted for as share based payments under AASB 2: Share Based Payments. Share-based payments are a complex accounting area including assumptions utilised in the fair value calculations and judgments regarding the options issued during the year. There is a risk in the financial report that amounts are incorrectly recognised and/or inappropriately disclosed. Refer to Note 1 of the financial report for a description of the accounting policy and significant estimates and judgements applied to these transactions.</p>	<p>Our audit procedures included but were not limited to:</p> <ul style="list-style-type: none"> <li>• Evaluating management’s assessment of the valuation and recognition of the options.</li> <li>• Obtaining an understanding of the key terms and conditions of the performance shares and options by inspecting relevant agreements.</li> <li>• Holding discussions with management to understand the share based payment arrangements in place</li> <li>• Recalculating the estimated fair value of the performance shares and options using the valuation methodology selected, including assessing the reasonableness of the methodology used and key inputs used in the Company’s valuation model.</li> <li>• Reviewing the adequacy of the Company’s disclosures in respect of the accounting treatment of share-based payments in the financial statements, including the significant judgments involved, and the accounting policy adopted.</li> </ul>



## **Other information**

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2021, but does not include the financial report and the auditor's report thereon.

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

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

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

## **Responsibilities of the directors for the Financial Report**

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

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

## **Auditor's responsibilities for the audit of the Financial Report**

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at: [https://www.auasb.gov.au/admin/file/content102/c3/ar1\\_2020.pdf](https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf)

This description forms part of our auditor's report.

## **Report on the Remuneration Report**

### **Opinion on the Remuneration Report**

We have audited the Remuneration Report included in pages 10 to 20 of the directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Sparc Technologies Limited, for the year ended 30 June 2021, complies with section 300A of the *Corporations Act 2001*.



### Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

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

**BDO Audit Pty Ltd**

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

Andrew Tickle  
Director

Adelaide, 26 August 2021

## Shareholder information

### Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

	Ordinary Shares	
	Number of holders	% Of total shares issued
1 to 1,000	655	0.36%
1,001 to 5,000	561	2.68%
5,001 to 10,000	205	2.75%
10,001 to 100,000	406	26.09%
100,001 and over	102	68.12%
	<b>1,929</b>	<b>100.00%</b>
Holding less than a marketable parcel	704	0.46%

### Equity security holders

*Twenty largest quoted equity security holders*

The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary Shares	
	Number held	% Of total shares issued
THE UNIVERSITY OF ADELAIDE	3,842,643	6.56
CARJAY INVESTMENTS PTY LTD	3,162,232	5.40
CANE ASSET MANAGEMENT PTY LTD	2,634,681	4.50
MARNIE JANE EDDINGTON	2,287,287	3.90
BLAMNCO TRADING PTY LTD	2,250,000	3.84
ANDREW GARNET SMITH & SALLYANNE MAREE SMITH	1,372,372	2.34
RED DOG #1 PTY LTD	1,250,000	2.13
SCOR GO LUATH LIMITED	762,430	1.30
MR TIMOTHY JAMES FLAVEL	757,457	1.29
WOWE PTY LTD	713,278	1.22
MR EDWARD MALOUF	700,000	1.19
MS JULIE LE CORNU	662,429	1.13
HOPERIDGE ENTERPRISES PTY LTD	648,496	1.11
PETERLYN PTY LTD	600,000	1.02
MR SHANE ROBERT JONES & MRS CAROL ROBIN JONES	577,500	0.99
LOKTOR HOLDINGS PTY LTD	500,000	0.85
NORTHERN STAR NOMINEES PTY LTD	471,105	0.80
BNP PARIBAS NOMS PTY LTD	453,431	0.77
MR JUSTIN O'NEIL MALOUF	435,624	0.74
MR JAMES KENNETH RAWSON & MR WILLIAM JAMES RAWSON & MRS KIRA JANE RAWSON	400,000	0.68
	<b>24,480,965</b>	<b>41.77</b>

**Sparc Technologies Limited**  
**Shareholder information**  
**30 June 2021**

**Unquoted equity securities**

	<b>Number on issue</b>	<b>Number of holders</b>
Options over ordinary shares issued	8,846,765	18
Performance Shares	7,000,000	4

**Substantial holders**

Substantial holders in the company are set out below:

	<b>Ordinary shares</b>	
	<b>Number held</b>	<b>% Of total shares issued</b>
THE UNIVERSITY OF ADELAIDE	3,842,643	6.56
CARJAY INVESTMENTS PTY LTD	3,162,232	5.40
CANE ASSET MANAGEMENT PTY LTD	2,634,681	4.50
MARNIE JANE EDDINGTON	2,287,287	3.90
BLAMNCO TRADING PTY LTD	2,250,000	3.84

**Voting rights**

The voting rights attached to ordinary shares are set out below:

*Ordinary shares*

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

There are no other classes of equity securities.