

## SEPTEMBER 2021 QUARTERLY ACTIVITIES REPORT

### HIGHLIGHTS

#### Sparc Hydrogen Joint Venture

- ▶ Sparc Technologies executes non-binding Term Sheet with its strategic partner and cornerstone shareholder the University of Adelaide to form a Joint Venture (JV) hydrogen technology company
- ▶ Next generation hydrogen technology to employ photocatalysis and solar radiation to deliver Ultra-Green Hydrogen (UGH)
- ▶ Sparc Hydrogen to have exclusive licence to 100% of University of Adelaide's Project IP including Patent Application
- ▶ Sparc Technologies to focus on developing graphene coatings for use in conjunction with photocatalysts

#### Corporate

- ▶ Conducted \$2.8m share placement (before costs) at \$0.70 per share
- ▶ CEO Mike Bartels elevated to Managing Director
- ▶ Appointed BDO Audit Pty Ltd (BDO) as the Company's new Auditors
- ▶ \$2.19m cash at bank as at 30 September 2021

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Sparc Technologies Limited (**ASX: SPN**) (**Sparc** or the **Company**) is pleased to provide its September 2021 Quarterly Activities Report.

#### Sparc Hydrogen Joint Venture

Post the end of the quarter, Sparc Technologies announced ([27 October 2021](#)) that it had entered a joint venture (**JV**) agreement with its strategic partner and cornerstone shareholder, the University of Adelaide, to jointly progress a project that will deliver a unique process with the aim of producing commercially viable ultra-green hydrogen (**UGH**) (the **Project**). The Ultra-Green Hydrogen technology has been developed by the University of Adelaide and Flinders University .

The Project will seek to further develop a process known as Thermo-Photocatalysis, which employs the suns radiation and thermal properties to convert water into hydrogen and oxygen. Adopting this process to produce ultra-green hydrogen means that renewable energy from wind farms, and/or photovoltaic solar panels, does not need to be exploited for hydrogen production, nor does the process of electrolysis need to be employed.

As such, Capital Expenditure (CAPEX) and Operational Expenditure (OPEX) costs are anticipated to be significantly lower, supporting the production of ultra-green commercially viable energy in the form of hydrogen. Furthermore, without the need of the footprint associated with massive scale wind and/or solar farms, this technology can also be adopted remotely and for onsite use, thereby reducing the reliance on long distance hydrogen transportation and/or electricity transmission.

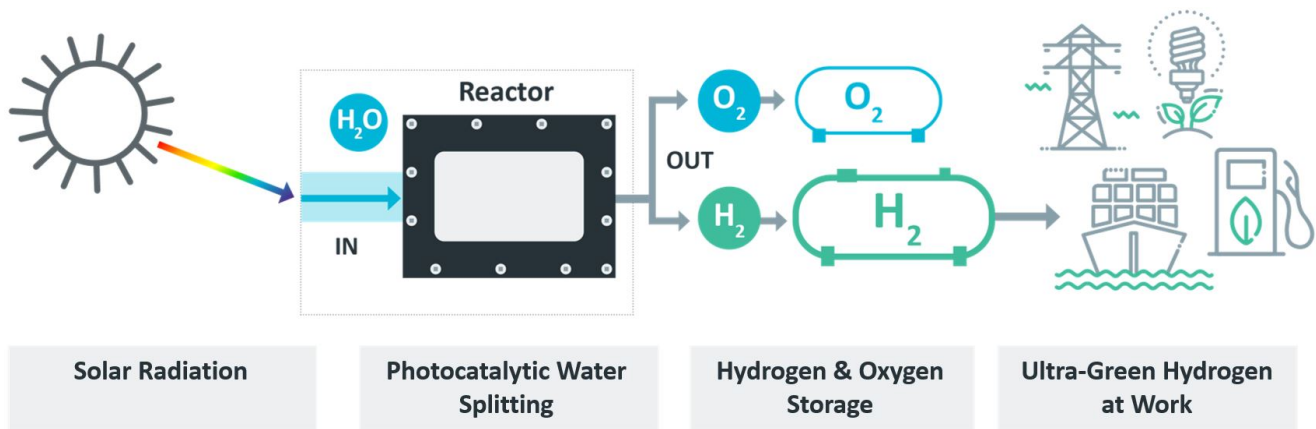


Figure 1: Sparc Ultra Green Hydrogen Process

It is important to note that, an electrolyser is not required so no electricity is used to split the water into oxygen and hydrogen. A provisional patent (Australian Provisional Patent Application No. 2021900997 – Photocatalytic Apparatus) was submitted by University of Adelaide in April 2021 for the use of the entire solar spectrum to increase the Solar To Hydrogen (STH) percentage rate.

In keeping with Sparc's expertise in graphene, Sparc will seek to develop graphene coatings to be used in conjunction with photocatalysts.

### Key Terms

The material terms of the proposed JV remain subject to the parties entering into a formal joint venture agreement and are summarised below:

- The equity structure of the of the Joint Venture will see University of Adelaide retain 28% of the Joint Venture, with Sparc holding 72% at completion of Stage 2.
- Sparc to issue the University of Adelaide 3,000,000 SPN New Shares, plus expenditure of \$4,750,000 over 4.5 years towards the JV.
- Total cash contributions of \$4,750,000 to be made throughout the period of the project (4.5 years), comprising:
  - Stage 1 commitment over the first 2.5 years of \$2,000,000 ("Stage 1"); and
  - Stage 2 over 2.0 years of \$2,500,000 ("Stage 2"). The Parties may mutually terminate the JV agreement at the completion of Stage 1 by way of notice.
  - Additionally, \$250,000 to be paid to University of Adelaide for operations set-up and a scholarship.

## Corporate

In July, Mike Bartels was appointed to Managing Director (MD) effective from 1 July 2021. ([ASX Announcement 1 July 2021](#)) Mr. Bartels adds considerable experience, both technically and commercially to the Sparc Board. Mr. Bartels, who joined Sparc on 1 March 2021 as Chief Executive Officer (CEO), led the Sparc management team in undertaking a review of the business with a strong focus on streamlining research and development activities and aiming to fast-track commercialisation opportunities.

Mr. Bartels holds a Bachelor of Science in Applied Chemistry and 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). He is an expert at developing strategy, setting vision, and executing plans to deliver growth. He brings a vast depth of experience to Sparc given his previous roles as global head of marketing, business development manager and sales director for paint, protective coatings, and insulation products for major multinational coatings companies.

In August, the Company appointed BDO Audit Pty Ltd (BDO) as the Company's Auditors with effect from 10 August 2021. This appointment follows the resignation of Pitcher Partners BA&A Pty Ltd (Pitcher Partners) and ASIC's consent to same. ([ASX Announcement 10 August 2021](#))

The Board's decision to change auditors was made following a consultation process and chose BDO based on their reputation and experience. In accordance with section 327C of the Corporations Act 2001 (Cth) the decision to appoint BDO will be subject to ratification by shareholders at the 2021 Annual General Meeting.

Effective 1 November 2021, Executive Chairman, Stephen Hunt's salary will change from \$120k (currently set for 50% working capacity) to \$180k (to be set at 75% working capacity). There is no other change to Mr Hunt's remuneration package.

## Placement

The Company is pleased to announce it has received firm commitments to raise \$2.8m (before costs) through a placement (Placement) of four (4) million shares at an issue price of \$0.70 per share. The funding will support the company's continued development of its graphene based technology projects, assist funding the cash contribution within the Stage 1 commitment under the JV, working capital and costs of the proposed transaction.

The Placement shares will be issued pursuant to the Company's existing annual placement capacity under Listing Rule 7.1A and are expected to be issued and commence trading on or about 3 November 2021.

The Placement issue price of A\$0.70 per share represented:

- 21.8% discount to the last traded price on 22 October 2021 (\$0.895)
- 16.9% discount to the 5-day VWAP price (\$0.842)
- 10.8% discount to the 10-day VWAP price (\$0.785)

## Outlook for Next Quarter - Graphene

**Coatings** – The Company is progressing development activities for 12 coatings projects within the Protective & Marine Coatings market. A significant volume of test results, associated with these projects, will become available supporting continued discussions with local and global industry partners.

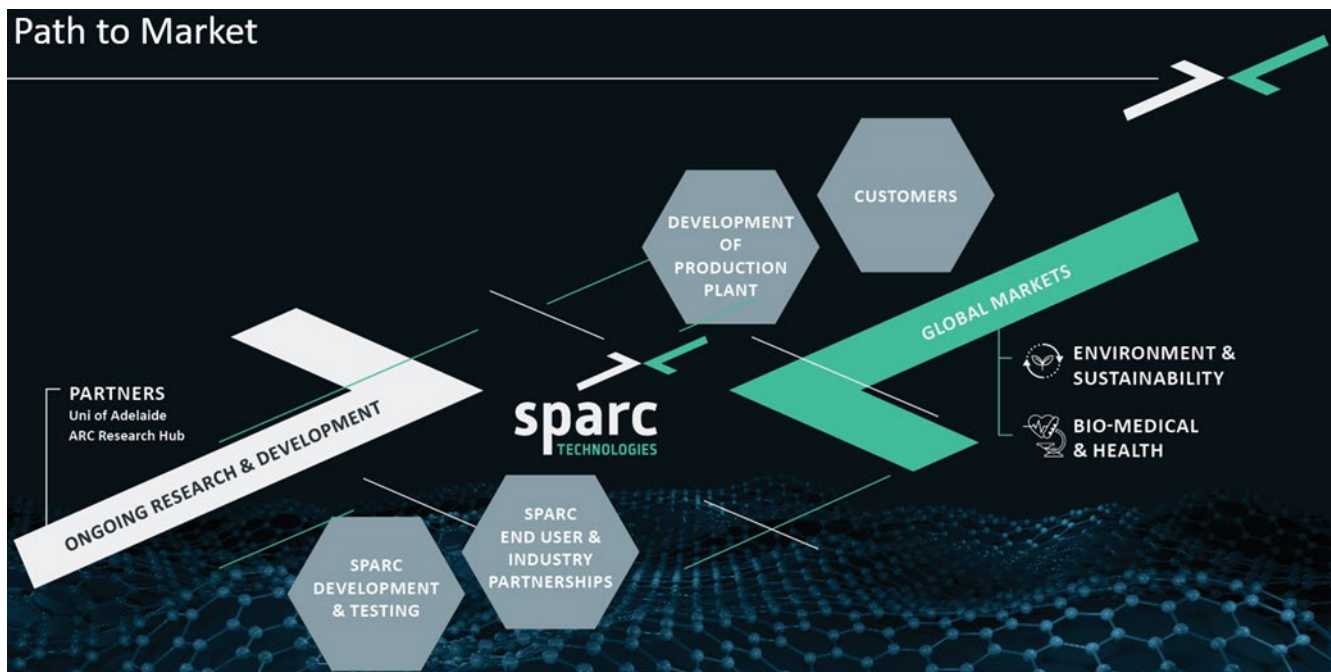
**Concrete** – Completion of a comprehensive third party test program and progression to producing a commercially available material.

**Composites** – Commencement of third party testing to confirm test results for dispersions targeted at enhancing the mechanical properties for selected materials.

Opportunities for the adoption of graphene based dispersions in further Industrial Materials is to be explored

**Health** – Advancing the Sensor project and industry partner discussions to continue throughout the next quarter.

**Research & Development** – Establishment of further agreements with institutions aimed at supporting current activities and accelerating product commercialisation in Coatings, Composites and Concrete.



## About Sparc Technologies

Sparc Technologies Limited (ASX: SPN) is a South Australian based company that is focussing on the development of innovative technology solutions using the unique properties of graphene. Graphene, which can be extracted from graphite, is a 2-dimensional nano material made of carbon atoms arranged in a hexagonal pattern, giving it unique and powerful properties that, with the right technology, can be imparted on products to improve performance. Sparc Technologies has licenced graphene-based technologies from the University of Adelaide, a leading institution in the field of graphene research, and will focus on commercialising graphene-based technologies for large industrial markets for marine and protective coatings, environmental remediation, and bio-medical applications.

## Statement of Commitments

The current quarter is covered by the Statement of Commitments<sup>1</sup> outlined in the Prospectus dated 5 October 2020. A summary of expenditure to date is outlined below:

	Expenditure for the Qtr to 30 September 2021 (\$)	Expenditure described in Use of Funds in prospectus (\$)
Cost of offer	0	(470,000)
Corporate administration	(324,000)	(1,000,000)
Research and development	(369,000)	(1,300,000)
Graphene plant construction	(39,000)	(1,900,000)
Marketing and business development	(13,000)	(730,000)
Working capital		(900,000)
<b>Total</b>	<b>(745,000)</b>	<b>(6,300,000)</b>

<sup>1</sup> The above table is a statement of current intentions. Investors should note that the allocation of funds set out in the above table may change depending on a number of factors. In light of this the Board reserves the right to alter the way the funds are applied

## Cash

As at 30 September 2021, the Company had a reported cash position of \$2.19m

## Related Party Payments

In line with its obligations under ASX Listing Rule 4.7C.3, Sparc Technologies Limited notes that the only payments to related parties of the Company, as advised in the Appendix 4C for the period ended 30 September 2021, pertain to payments to directors for reimbursement of arrears of Directors Fees and Travel Expenses totalling \$127,000.00

**-ENDS-**

**Authorised for release by:** Mike Bartels, Managing Director.

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## Appendix 4C

### Quarterly cash flow report for entities subject to Listing Rule 4.7B

**Name of entity**

Sparc Technologies Limited

**ABN**

13 009 092 068

**Quarter ended ("current quarter")**

30 September 2021

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	2	2
1.2 Payments for		
(a) research and development	(153)	(153)
(b) product manufacturing and operating costs		
(c) advertising and marketing	(13)	(13)
(d) leased assets	(41)	(41)
(e) staff costs	(433)	(433)
(f) administration and corporate costs	(269)	(269)
(g) exploration and evaluation (if expensed)		
1.3 Dividends received (see note 3)		
1.4 Interest received		
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Government grants and tax incentives	200	200
1.8 Other (provide details if material)		
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(706)</b>	<b>(706)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(h) entities		
(i) businesses		
(j) property, plant and equipment	(39)	(39)
(k) investments		
(l) intellectual property		

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
2.2	(m) other non-current assets Proceeds from disposal of: (n) entities (o) businesses (p) property, plant and equipment (q) investments (r) intellectual property (s) other non-current assets		
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
2.6	<b>Net cash from / (used in) investing activities</b>	<b>(39)</b>	<b>(39)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)		
3.2	Proceeds from issue of convertible debt securities		
3.3	Proceeds from exercise of options		
3.4	Transaction costs related to issues of equity securities or convertible debt securities		
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings		
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.10	<b>Net cash from / (used in) financing activities</b>	<b>0</b>	<b>0</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	2,933	2,933
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(706)	(706)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(39)	(39)



Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	0	0
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of period	2,189	2,189

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	2,189	2,933
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	2,189	2,933

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	127
6.2	Aggregate amount of payments to related parties and their associates included in item 2	

*Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.*



<b>7. Financing facilities</b> <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
7.1 Loan facilities		
7.2 Credit standby arrangements		
7.3 Other (please specify)		
7.4 <b>Total financing facilities</b>		
7.5 <b>Unused financing facilities available at quarter end</b>		0
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (item 1.9)	(706)
8.2 Cash and cash equivalents at quarter end (item 4.6)	2,189
8.3 Unused finance facilities available at quarter end (item 7.5)	0
8.4 Total available funding (item 8.2 + item 8.3)	2,189
8.5 <b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	3.10
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer:	
8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
Answer:	

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer:

*Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.*

## Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: .....28 October 2021.....

Authorised by: .....with authority of the Board.....

(Name of body or officer authorising release – see note 4)

## Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee* – *eg Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.