



22 July 2020

## AJC to Acquire Graphene Technology Solutions

### HIGHLIGHTS

- Acacia Coal Ltd (**ASX:AJC**) has executed a binding Share Sale Agreement ("**SSA**") to acquire 100% of Graphene Technology Solutions Ltd ("**GTS**").
- GTS is commercialising revolutionary graphene-based technologies to enhance or disrupt multi-billion dollar industries.
- Three of GTS's core management to join the Acacia Board following the completion of the transaction.
- The terms of the SSA include:
  - AJC to undertake a share consolidation on a one for two hundred basis prior to relisting and raising a minimum \$3 million and up to A\$4 million (before costs), at \$0.20 per share.
  - AJC will issue GTS 29,500,000 fully paid ordinary shares (on a post consolidation basis), to the shareholders of GTS, for the acquisition of 100% of GTS.
  - Subject to AJC shareholder approval, the Company intends to change its name from Acacia Coal Limited to "Sparc Technologies Limited".

Acacia Coal Limited (**ASX:AJC**) ("**Acacia**", the "**Company**" or "**the Buyer**") is pleased to announce it has signed a binding Share Sale Agreement ("**SSA**") with Graphene Technology Solutions Ltd ("**GTS**" or "**the Seller**") to acquire 100% of the Australian based patented graphene technology Company ("**the Transaction**"). The Transaction is subject to conditions precedent, which include Acacia obtaining shareholder approval of the Transaction and receiving conditional approval from ASX for re-admission of Acacia's securities to official quotation.

GTS has a legally binding Research Agreement with the University of Adelaide ("**UA**") and the ARC Graphene Research Hub ("**Graphene Hub**"), to develop and commercialise graphene application projects, starting with marine and protective coatings, environmental remediation and metals removal from tailings. GTS is the licensee of three technologies under patent application on an exclusive basis, with the patents under the Licensing Agreement being unencumbered by any royalties or ongoing payments and having an effective life of between 20 to 30 years.

Acacia's initial phase of development will be to leverage UA's experience to design, build and commission a scalable production plant to provide a reliable supply of high-quality graphene. The initial production process will be validated to supply graphene specifically for functionalisation and application into marine and protective coatings.

Commenting on the acquisition, Acacia Chairman Mr Adam Santa Maria said GTS would materially transform Acacia for the benefit of all shareholders.

*"It has been a privilege to steward Acacia through the divestment of its coal assets and to refocus the Company in order to maximise shareholder value. Having had the opportunity to review a substantial number of business propositions and assets on behalf of shareholders, it is my great delight to have executed an agreement to acquire GTS, whose first class team and truly impressive Australian based and developed graphene technologies give Acacia shareholders an exciting new future focussed on the transformation of multi-billion dollar global industries."*

## OVERVIEW OF GRAPHENE TECHNOLOGY SOLUTIONS

GTS has evolved from research undertaken by the University of Adelaide. UA is a leading global research facility in graphene functionalisation and is the headquarters of the Graphene Hub.

GTS has entered into a binding Research Agreement with UA to fund the research, development and commercialisation of graphene projects and has had promising results through its partnership with UA in particular with respect to anti-corrosive coatings, water purification (separation and removal of oil), metals recovery from tailings and soil remediation for contaminated sites, especially Per- and polyfluoroalkyl substances (PFAS).

As a result of the exceptional research and development conducted by UA, GTS entered into a Licensing Agreement for three patents through UA equity participation in GTS. These three patents under application for UA are:

- PCT/AU2017/05099 – Marine and Protective Coatings - Coating for anti-corrosion, anti-fouling, wear resistance, drag resistance and fire retardant;
- PCT/AU2016/05041 – Water Purification and Soil Remediation - Water purification, oil removal from water and soil remediation;
- PCT/AU2018/05018 - Sound Absorption – High performance acoustic foams having high performance acoustic absorption, as well as increased moisture insulation and fire-retardant properties.

The Patents under application have an effective life ranging between 20 – 30 years and are unencumbered by any ongoing payments and/or royalties. GTS has entered into a Strategic Heads of Agreement with UA, including first right of offer on all new unencumbered graphene technologies, which may result from GTS's preferred partner status. GTS aims to validate its initial production process and supply graphene for inclusion into marine and protective coatings. GTS also intends to advance additional core business units including environmental remediation and metals recovery from tailings. GTS will remain adaptive to industry partners requests and will pursue additional application pathways in time.

### 1. Marine and Protective Coatings

Graphene is a performance additive in marine, aerospace and industrial applications of coatings. Graphene coatings have shown to be effective even when applied in thicknesses of a few nanometres and displays extensive features including; unique anti-corrosion qualities; superior hydrophobic qualities; chemical repulsion; improved drag efficiency; exceptional UV protection; fire-resistance; improved electrical and thermal conductivity; and anti-microbial benefits.

GTS has exclusivity over patents pending to target and disrupt marine, anti-corrosive and anti-microbial coatings markets globally through the application and commercialisation of epoxy anti-corrosives, zinc rich primers and anti-fouling coatings.

The global marine coating market size of US\$7.4 billion in 2018 is expected to increase to US\$9.3 billion by 2025<sup>1</sup>, with the majority of demand concentrated in the Asia Pacific region. The global protective coatings market is estimated to be approximately US\$16.4 billion and expected to grow to US\$34.8 billion by 2027.<sup>2</sup> Protective coatings are predominantly used in oil and gas, mining, power and infrastructure. Access to markets is subject to the Company being able to successfully develop and commercialise the graphene technologies and accordingly, GTS does not have any distribution or offtake agreements in place at this stage. Subject to successful commercialisation, GTS intends to initially focus on the selling products in the marine coatings market by way of partnering with major coatings companies either by way of additive or functional products in and of themselves, after demonstrating the superior characteristics that can be leveraged through the application of its functional graphene products.

### 2. Environmental Remediation

Graphene's hydrophobic properties can also be used to effectively separate oils, unwanted metals and chemicals from waters and soils quickly and efficiently. UA has developed proprietary knowledge and in-house IP to effectively and efficiently remove oil from water and remediate contaminated soils. Broad commercial applications and potential funding partners would be drawn from within the oil and gas industry, mining and government. One of the initial target applications is to consider the application of functional graphene to remedy Per- and polyfluoroalkyl (PFAS) substances. PFAS is a group of man made chemicals which has been used around the world since the 1940s which

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<sup>1</sup> Frost and Sullivan (2019)

<sup>2</sup> Coherent Market Insights (2019)

don't breakdown substantially over time, and have been known to have adverse effects on human health. The Company has identified a number of sites in Australia to which its technology could have potential application for remediation, ahead of much broader application should the results be successful.

### 3. Metals Recovery in Tailings

Graphene can be utilised to separate specific metals from tailings dams and waste ore on mine sites. UA has existing IP on 3D graphene composites that enable GTS to target the removal of specific metals.

GTS intends to work with partners in the mining industry to develop optimum solutions for precious metals extraction with the added environmental benefits of removal of metals from soils and local waterways.

Approximately US\$1T worth of precious metals sit in waste rock and tailings already extracted from the ground that are resting at old mining sites globally<sup>3</sup>.

## ACQUISITION CONSIDERATION

As consideration for the acquisition of GTS, Acacia will issue:

- 29,500,000 fully paid ordinary shares in AJC to GTS shareholders (on a post consolidation basis) ("**Consideration Shares**") for 100% of GTS shares.
- AJC shares issued to the shareholders of GTS will be subject to escrow in accordance with ASX Listing Rules.
- 7,000,000 Performance Shares in AJC to key GTS management and directors (on a post consolidation basis) subject to the following vesting condition:

The Performance Shares will convert into ordinary shares ("**Shares**") in the Company on a one-for-one basis where on satisfaction of the following milestones:

- (a) GTS generates annual Operating Revenue of at least \$3 million from the graphene projects or graphene technology over an audited financial year; and
- (b) the Company achieves a market capitalisation (based on the Company's 20 day VWAP) of A\$50 million or more,

In addition to the Consideration Shares, Acacia will issue up to 625,000 Fully Paid Ordinary Shares and up to 2,159,265 three-year options to advisors to the Transaction and the proposed Lead Manager with a strike price of \$0.30.

## CONDITIONS PRECEDENT

The Share Sale Agreement is subject to a number of considerations precedent as follows:

- (a) (**Minority Sellers**) each Minority Seller providing the Buyer with an executed Short Form Sale Agreement;
- (b) (**Accounts**) GTS preparing audited accounts for the financial year ending 30 June 2018, 30 June 2019 and 30 June 2020, and delivering those accounts to the Buyer;
- (c) (**Buyer due diligence**) the Buyer completing its legal and technical due diligence on GTS during the Due Diligence Period and being satisfied with the results of its due diligence to its absolute discretion;
- (d) (**Website**) GTS relaunching its website to the satisfaction of the Buyer;

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<sup>3</sup> Mining[DOT]COM, Ana Komenic (2014)

- (e) **(Constitution)** GTS replacing its constitution with a new constitution on terms agreeable to the Buyer;
- (f) **(Pre-Emptive Rights)** the waiver of any pre-emptive rights in respect of GTS's Securities;
- (g) **(ASX Waivers)** the Buyer obtaining all necessary waivers and confirmations required by the Listing Rules in connection with the Transaction;
- (h) **(Consolidation)** the Buyer completing the Consolidation;
- (i) **(Buyer Shareholder Approvals)** the Buyer obtaining all necessary Buyer Shareholder Approvals required by the Corporations Act and the Listing Rules in respect of the Transaction;
- (j) **(Employment and/or services agreements):** the Buyer entering into employment and/or services agreements (in a form satisfactory to the Buyer, acting reasonably) with:
- (k) **(Restriction Agreements)** to the extent required by ASX or the Listing Rules, the execution of all necessary Restriction Agreements imposing such restrictions on trading of the Buyer Shares as mandated by the Listing Rules;
- (l) **(Capital Raising)** the Buyer raising at least \$3,000,000 (before costs) at an issue price of \$0.20 per Buyer Share, or such other amount and issue price agreed between the Buyer and the Signing Sellers **(Capital Raising)**;
- (m) **(Regulatory approvals)** the Buyer obtaining all regulatory approvals (as required) in order to undertake the Transaction, in a form satisfactory to the parties, including in-principle approval of the terms of the Transaction from ASX (if required);
- (n) **(Third party consents)** the parties obtaining all third party consents, including the consent of any counterparties to any agreements, that the parties require to give effect to the Transaction as a result of any change of control restrictions, including (but not limited to) the consent of the University of Adelaide to the Transaction as required under the Technology Licence Agreement;
- (o) **(ASX re-compliance)** the Buyer re-complying with the requirements of Chapters 1 and 2 of the Listing Rules in connection with the Transaction and receiving conditional approval from ASX to admit its Securities to official quotation on ASX on terms reasonably acceptable to the Buyer; and
- (p) **(GTS and Signing Sellers due diligence)** GTS and the Signing Sellers completing their legal and technical due diligence on the Buyer during the Due Diligence Period and being satisfied with the results of their due diligence to their absolute discretion.

## RECOMPLIANCE WITH CHAPTERS 1 AND 2 OF THE ASX LISTING RULES

The Transaction will constitute a change to the nature and scale of the Company's business and will require shareholder approval under Chapter 11 of the ASX Listing Rules. The Transaction will also require the Company to re-comply with Chapters 1 and 2 of the ASX Listing Rules.

The Company will convene an Extraordinary General Meeting of shareholders to obtain the shareholders approvals necessary to complete the Transaction. The Company will send a Notice of Meeting and Explanatory Memorandum to shareholders, which will include further details about the Transaction.

If the Company's shareholders approve the Transaction, the Company's shares may be suspended from trading on the ASX until the requirements of Chapters 1 and 2 of the ASX Listing Rules have been satisfied.

## CONSOLIDATION OF CAPITAL

The Acacia Board will seek shareholder approval at the Company's Extraordinary General Meeting ("EGM") to consolidate its issued capital through the conversion of every two hundred (200) existing share into one (1) share.

The Company has a significant number of shares on issue and the Board believes a share consolidation will provide the best platform for growth and a capital structure that is more in line with the Company's size and peer group. The share consolidation will result in a share price level that is more attractive to a wider range of investors and reduce share price volatility in the long term.

Once the consolidation occurs, the number of the Company's shares on issue will be reduced from 4,067,651,670 existing shares to approximately 20,338,258 shares<sup>4</sup>. As the Consolidation applies equally to all shareholders, individual shareholdings will be reduced in the same ratio as the total number of shares (subject only to the rounding up of fractions). The Consolidation will have no material effect on the percentage interest of each individual Shareholder. Similarly, the aggregate value of each shareholder's holding (and the Company's market capitalisation) should not change as a result of the Consolidation.

The proposed consolidation of capital will also apply to all unlisted options at the time of the Consolidation. In accordance with the option terms and ASX Listing Rule 7.22, these options will be consolidated on the same basis as the shares with the existing exercise price amended in inverse proportion to the consolidation ratio. The expiry date of the options will not change. Further details of the Consolidation will be available on the lodgement of the Company's Notice of Meeting for the EGM.

## PUBLIC OFFER

As part of the re-admission to the ASX the Company will prepare and issue a prospectus to raise a minimum of \$3,000,000 and up to \$4,000,000 (before costs), subject to shareholder approval. The funds raised will be applied to the following purposes:

- building a management team for the development and commercialisation of graphene products;
- developing and testing samples of functionalized marine and protective coatings for demonstration to global coating suppliers;
- scoping, building and commissioning a scalable graphene production plant;
- ongoing research and development of existing and new graphene solutions; and
- general working capital purposes.

Morgans Corporate Limited (ACN 010 539 607) will act as Lead Manager to the Public Offer. Discovery Capital Partners have acted as corporate advisor to Acacia in respect of the Transaction.

## BOARD AND MANAGEMENT CHANGES

Subject to Completion, Messrs Santa Maria, Robertson and Lawrence will resign from the Board, and the Company will appoint Messrs Stephen Hunt, Thomas Spurling and Daniel Eddington as directors at Completion (**Proposed Directors**), subject to prior shareholder approval.

### 1. Mr Stephen Hunt - proposed Executive Chairman

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, Volt Resources Ltd, (ASX: VRC), Magnis Resources Ltd (ASX: MNS), IMX Resources Ltd (now Indiana Resources Limited) and Australian Zircon Ltd. Mr Hunt is a member of the Australian Institute of Company Directors (MAICD) and holds a Bachelor of Business (Marketing) from the University of South Australia. Mr. Hunt is currently Executive Chairman of GTS.

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<sup>4</sup> The exact final number may vary slightly due to rounding

## **2. Mr Thomas Spurling - proposed Managing Director**

Mr Spurling has 35 years of experience 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 (ASX:ELX) between 2011 and 2019. Mr Spurling holds a Bachelor of Economics from the University of Adelaide. Mr Spurling is currently a director of GTS.

## **3. Mr Daniel Eddington - proposed Non-Executive Director**

Mr Eddington has over 20 years' experience in financial markets with experience across multiple sectors including the resource, energy and industrial sectors. Mr Eddington specialises in equity capital markets and has been responsible for IPO's, placements, reverse takeovers, underwritings, corporate negotiations and corporate advisory for companies predominantly in the resources sector. Mr Eddington holds a Bachelor of Commerce from the University of South Australia and Graduate Diploma Finance from FINSIA. Mr Eddington is currently a director of GTS.

## **COMMERCIALISATION STRATEGY AND TARGET ADDRESSABLE MARKET**

Investors should note that the potential addressable markets for graphene products are substantive and broad and that as graphene products are developed, graphene product developers such as GTS are likely to target particular segments, rather than the entirety, of the markets. The Company's strategy in respect of entering such markets is contingent on demonstrating the commercial applicability of the specific graphene applications targeted to each specific market, and the degree of uptake of end users over time.

There are a number of regulatory barriers to each market which must first be addressed, primarily around environmental safety and other test methods which the Company must satisfy. For example, the corrosion protection of steel structures has an industry standard test method governed by ISO 12944 (Corrosion protection of steel structures by protective paint systems). GTS has already conducted testing in accordance with such standards and intends to continue to run its operations in a compliant and safe manner to the highest industry standards, in conjunction with the UA and Graphene Hub.

The Company's pilot graphene production plant, planned for commissioning and construction in conjunction with UA expertise, will be pivotal in demonstrating the further efficacy and commerciality of GTS' licenced and patented graphene products. Once completed, the Company will then work strategically with end users and key industry partners to implement functionalised graphene products through target industries. GTS has already entered into a number of preliminary and early stage discussions with such partners with promising results.

In addition, the Company has also conducted a review of potential sites and applications in secondary markets in which would be ideal candidates for the application of its graphene products. As an example, given the Graphene Hub's strong links with government, a number of contaminated government sites would be ideal candidates for the initial testing and assessment of GTS's water and soil remediation technologies. GTS's internal review has identified a number of such smaller sites at which trial and eventually commercial purification could take place.

Similarly, a number of other historical and substantial mining tailing deposits have been considered for treatment to extract precious and base metals. However, access to and treatment of such sites will depend on both GTS' demonstrable potential of its technology, together with the willingness of the site's owners to work with GTS on commercial terms.

## **CHANGE OF COMPANY NAME**

Subject to AJC Shareholder approval, the Company intends to change its name from Acacia Coal Limited to "Sparc Technologies Limited"

## INDICATIVE TIMETABLE

Activity	Date
Announcement of Transaction and Suspension from Trading	<b>22 July 2020</b>
Announce Notice of Meeting	19 August 2020
Lodgement of Prospectus	26 August 2020
Buyer Shareholder Meeting	16 September 2020
Prospectus offer closes	23 September 2020
Issue date of Buyer Shares subscribed for under the Capital Raising	30 September 2020
Subject to satisfaction (or waiver) of Conditions Precedent, Completion	30 September 2020
Commencement of trading of Buyer Shares on ASX (subject to the Company re-complying with Chapters 1 and 2 of the Listing Rules and subject to ASX agreeing to reinstate the Buyer Shares to quotation)	14 October 2020

*The above dates are indicative only and are subject to change. The Company will keep shareholders updated on the timing of the implementation of the transaction as it progresses.*

## INDICATIVE CAPITAL STRUCTURE

The table below reflects the final capital structure based on a consolidation ratio of one share for every 200 shares held.

	Fully Paid Ordinary Shares (minimum)	Fully Paid Ordinary Share (maximum)s	Unlisted Options <sup>II</sup>	Performance Shares
Existing issued capital (pre-consolidation)	4,067,651,670	4,067,651,670	312,500,000	
<b>Pre-consolidation securities</b>	<b>4,067,651,670</b>	<b>4,067,651,670</b>	<b>312,500,000</b>	
<b>Post consolidation securities<sup>II</sup></b>	<b>20,338,258</b>	<b>20,338,258</b>	<b>1,562,500</b>	
Consideration shares for acquisition of GTS (post consolidation) <sup>I</sup>	30,125,000	30,125,000	2,159,265	7,000,000
Public Offer (post consolidation) <sup>III</sup>	15,000,000	20,000,000		
<b>Total indicative post Transaction securities</b>	<b>65,465,258</b>	<b>70,463,258</b>	<b>3,721,765</b>	<b>7,000,000</b>

*Note: The above table and total issued shares after completion of the Transaction is indicative only and are subject to change.*

- I. AJC shareholdings consolidated at an assumed ratio of 1:200; this may change dependent on the AJC share price at the issuance date of the Notice of Meeting.*
- II. Post-consolidation unlisted options consist of 212,500 options with an exercise price of \$1.20 per share and an expiry date of 5 December 2021; 975,000 options with an exercise price of \$0.30 per share and an expiry date of 9 August 2023; and 375,000 options with an exercise price of \$0.30 per share and an expiry date of 8 November 2021.*
- III. It is assumed that the Public Offer will raise at least \$3,000,000 and up to \$4,000,000 (before costs) at a pre-consolidation price of \$0.001 per share (\$0.20 per share post consolidation) being the closing price of the Company's shares on the ASX on [17 July 2020]. The actual price of the shares will be determined at the time the Prospectus for the Public Offer is issued.*
- IV. Includes 625,000 ordinary shares and up to 2,159,265 three-year options exercisable at \$0.30 per share to be issued as part consideration for Lead Manager and Corporate Advisory services*



## **EXISTING BUSINESS**

Should the Transaction proceed, and subject to any required AJC shareholder approval, Acacia proposes to divest its existing mining exploration business.

The Board will explore transaction structures that may allow AJC shareholders to retain exposure to the Company's existing exploration portfolio going forward.

This announcement has been authorised for release by the Board of Acacia Coal.

For enquiries, please contact:

**Adam Santa Maria**

Chairman

+61 8 6365 5200

## **Forward Looking Statements**

This announcement contains forward-looking statements. Wherever possible, words such as “intends”, “expects”, “scheduled”, “estimates”, “anticipates”, “believes”, and similar expressions or statements that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved, have been used to identify these forward-looking statements. A number of factors could cause events and achievements to differ materially from the results expressed or implied in the forward-looking statements. These factors should be considered carefully and prospective investors should not place undue reliance on the forward-looking statements. Forward-looking statements necessarily involve significant known and unknown risks, assumptions and uncertainties that may cause the Company's actual results, events, prospects and opportunities to differ materially from those expressed or implied by such forward-looking statements. Although the Company has attempted to identify important risks and factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors and risks that cause actions, events or results not to be anticipated, estimated or intended, including those risk factors discussed in the Company's public filings. There can be no assurance that the forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, prospective investors should not place undue reliance on forward looking statements. Any forward-looking statements are made as of the date of this presentation, and the Company assumes no obligation to update or revise them to reflect new events or circumstances, unless otherwise required by law.