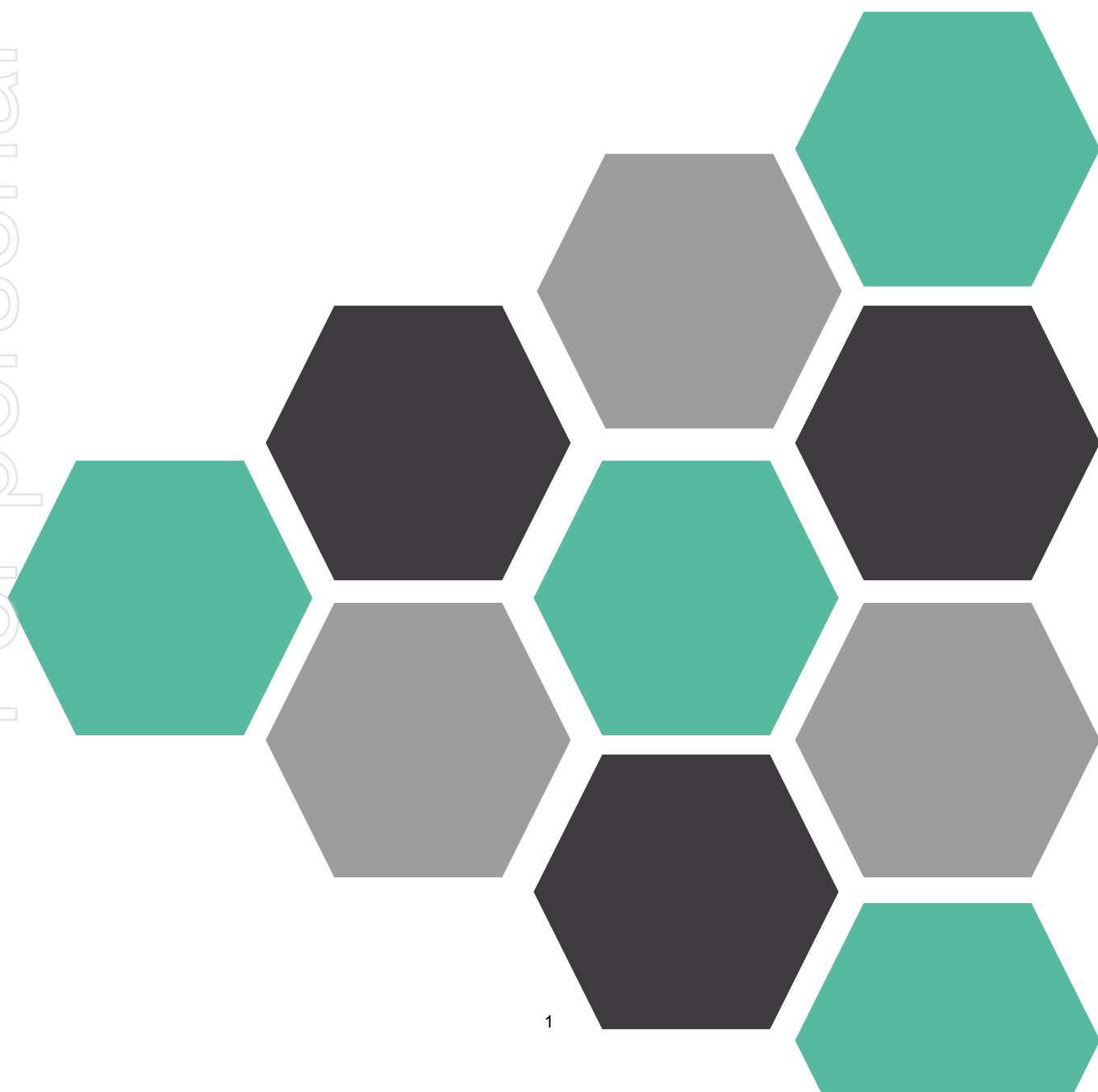


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TECHNOLOGIES



# **Sparc Technologies Limited**

**ACN 009 092 068**

**Annual Report - 30 June 2022**

**Sparc Technologies Limited**  
**Corporate directory**  
**30 June 2022**

Directors

Stephen Hunt  
Mike Bartels  
Daniel Eddington  
Stephanie Moroz

Company secretary

Adrien Wing

Registered office

Sparc Technologies Limited  
ABN 15 007 702 927  
Level 2, 480 Collins Street  
Melbourne VIC 3000  
Email: [info@sparctechnologies.com.au](mailto:info@sparctechnologies.com.au)

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

[www.sparctechnologies.com.au](http://www.sparctechnologies.com.au)

Corporate Governance Statement

[www.sparctechnologies.com.au](http://www.sparctechnologies.com.au)

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 2022.

# Chairman's Letter

Dear Shareholder,

It is a pleasure to write to you on behalf of the Board of Sparc Technologies to reflect on the achievements of the company in FY 2022, as well as to provide some insight to the direction of your company in the ensuing 12 months.

FY 2022 saw Sparc Technologies build its business in a number of key areas. Notably, through the ongoing relationship with the University of Adelaide, (UoA), Sparc was introduced to green hydrogen, photocatalytic water splitting technology. As a result, the Sparc Hydrogen Joint Venture (JV) between the parties was formed in October 2021 to progress the project towards potentially game changing technology. Subsequently, world leading green hydrogen proponent Fortescue Future Industries joined the JV in February 2022, which has added considerable industry expertise. The project has progressed extremely well with the technology developing in line with expectations. The future of this project looks extremely bright with the delivery of the Technical Economic Assessment (TEA), being a key milestone. With the backdrop of the world aiming to reach net zero and the resultant need for green hydrogen, the Sparc Hydrogen Joint Venture is in the enviable position of being very well placed to advance and accelerate the technology and project.

Graphene remains a core tenet of Sparc and the in-house coatings expertise has placed the company at the forefront of graphene based additives for coatings globally. Sparc's graphene based additives continue to demonstrate significant improvements in anti-corrosive performance and test work continues with a number of global coatings companies. Such success has led the company to commit to the manufacturing of graphene based additives. Specialised graphene based additive manufacturing equipment has been identified, trialled, and ordered with a manufacturing site located. In support of the commercialisation of graphene-based additives, Sparc's products intended for the Coatings market will carry "ecosparc Graphene Enhanced" branding. Additionally, Sparc's expertise with graphene and graphene like materials provides the company with a myriad of opportunities in other coatings applications such as anti-fouling, hydrogen storage, as well as with composites and anodes for batteries. All of these technologies have synergies within Sparc's area of expertise and provide a unique investment offering.

Corporately, Sparc has strengthened its Board with the elevation of CEO Mike Bartels to Managing Director and with the addition of Stephanie Moroz. Stephanie brings a great deal of experience and knowledge in the renewable energy space. Furthermore, Sparc Technologies North America Inc. and Sparc Technologies Europe PLC have been incorporated to provide support and greater access to world markets. Sparc issued 8.87m shares for the financial year and maintains a relatively modest number of 79.3m shares on issue.

In closing, Sparc has built a very solid portfolio of cutting edge technologies that have the potential to be disruptive in multi-billion dollar global industries. The company is now poised to commence commercialisation of a number of the more mature technologies which will no doubt greatly benefit shareholders. It is on this note that on behalf of your Board, I would like to thank you for your support throughout the year and we look forward to presenting Sparc as a superior investment opportunity in the year ahead.



Mr Stephen Hunt

Chairman

**Sparc Technologies Limited**  
**Directors' report**  
**30 June 2022**

**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	
Stephen Hunt	Executive Chairman	
Daniel Eddington	Non Executive Director	
Thomas Spurling	Non Executive Director	(resigned 2 March 2022)
Stephanie Moroz	Non Executive Director	(appointed 2 March 2022)

**Principal activities**

Sparc is pioneering new technologies to disrupt and transform industry in the Construction Materials and Renewable Energy Sectors while seeking to deliver a more sustainable world

**Dividends**

No Dividends were declared or paid during the financial year.

**Review of operations**

For the year ended 30 June 2022, the Group recorded a loss after tax of \$14,201,976 (30 June 2021: (\$5,633,511) after taking into account non-cash share based payments of \$5,903,607.

The Group had working capital of \$1,662,447: (30 June 2021: \$2,729,003). The Group had negative cash flows from operating activities for the year amounting to \$4,607,702 (30 June 2021: \$ 2,352,972).

Key activities includes:

- On-going research in the development of graphene based technology for coating, concrete and composite materials
- Establishment of entities in UK / Nth America to support commercial activities as relates to graphene
- Establishment and participation in a Joint Venture for the development of a photocatalytic water splitting process for Hydrogen production
- Appointed Ms Stephanie Moroz as Non-Executive Director from 2 March 2022.

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

**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 2022, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is stable and is dependent on measures imposed by the Australian Government and other countries, such as travel restrictions and any economic stimulus that may be provided.

No other matter or circumstance has arisen since 30 June 2022 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.

**Sparc Technologies Limited**  
**Directors' report**  
**30 June 2022**

**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 5E Advanced Materials, Inc. (Nasdaq: FEAM) (ASX: 5EA) 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, 2,000,000 performance shares and 1,500,000 options
Name:	Michael Bartels (appointed 1 July 2021)
Title:	Managing Director (from 1 July 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 and 1,500,000 options
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 is currently a non-executive director of Osmond Resources Limited (ASX:OSM) and Jade Gas Holdings (ASX:JGH) 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, 2,000,000 performance shares and 1,000,000 options
Name:	Stephanie Moroz (appointed 2 March 2022)
Title:	Non-Executive Director
Qualifications:	Bach of Applied Science (Physics), Grad.Dip. (Energy & Carbon Studies), Master of Business
Experience and expertise:	Stephanie has over 25 years' experience and global industry expertise in hydrogen, batteries, nano-materials and combustion engines (petrol, diesel, biofuels, synthetic fuels). Following an international corporate career in automotive manufacturing, she led two materials technology companies through high growth periods, including multi-million dollar capital raises. Stephanie's current primary role is Innovation Manager at global energy company EDL, based in Brisbane, Queensland. Within this role she leads the Technology Team in evaluating new technologies and business models for potential applications including energy storage, remote power generation, renewable fuels and decarbonisation.
Other current directorships:	Director, Australian Institute of Energy (Chair of the Audit, Risk and Governance Committee); Chair, Renewable Hydrogen Directorate, Clean Energy Council; Chair, Science Industry Advisory Committee, University of the Sunshine Coast; Advisor, New Energy Technology and Grants Assessor, Queensland Government.
Interests in shares:	1,000,000 unlisted options

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 2022, and the number of meetings attended by each director were:

	<b>Full Board</b>	
	<b>Attended</b>	<b>Held</b>
Stephen Hunt	21	22
Daniel Eddington	22	22
Thomas Spurling	16	17
Michael Bartels	19	22
Stephanie Moroz	4	4

Held: represents the number of meetings held (7) and circular resolutions (15) 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 2022. 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 2022 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.

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 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:

	Period of Responsibility in FY22	Position
<i>Non-Executive Directors</i>		
Thomas Spurling	Resigned 2 March 2022	Non- executive Director
Daniel Eddington		Non- executive Director
Stephanie Moroz	From 2 March 2022	Independent Non- executive Director
<i>Executive Directors</i>		
Stephen Hunt		Executive Chairman
Michael Bartels		Managing Director
<i>Key Management Personnel</i>		
Adrien Wing		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 and options to acquire ordinary 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 Non-executive Directors 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 and may include performance-based remuneration. These are set with reference to the Company's performance and the market capitalisation. 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.

#### DIRECTOR AND KMP REMUNERATION

Remuneration for the financial year ended 30 June 2022

**Table 1 For the consolidated group (accounting parent) for Sparc Technologies Limited**

2022	Short-term benefits (\$)				Post-employment (\$)	Share-based payments (\$)		
	Cash salary and fees	Short-term incentive	Annual Leave	Other	Superannuation	Performance Shares	Options	Total share-based payments
Thomas Spurling (resigned 28 February 2022)	32,000	-	-	-	3,200	-	-	-
Daniel Eddington	55,412	-	-	-	5,541	56,715 <sup>2</sup>	1,142,000 <sup>4</sup>	1,198,715
Stephanie Moroz (appointed 2 March 2022)	18,182	-	-	-	1,818	-	584,000	584,000
Stephen Hunt	161,350	-	-	-	16,135	56,715 <sup>2</sup>	1,713,000	1,769,715
Michael Bartels	241,800	-	-	-	24,180	63,805 <sup>2</sup>	1,713,000	1,776,805
Adrien Wing <sup>1</sup>	60,000	-	-	-	-	21,268 <sup>2</sup>	-	21,268
<b>Total</b>	<b>568,744</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>50,874</b>	<b>198,503</b>	<b>5,152,000</b>	<b>5,350,503</b>

2022	Termination (\$)	Other long-term benefits (\$)	Total (\$)	Total "at risk" (%)
<b>Non-Executive Directors</b>				
	-	-	35,200	0%
Thomas Spurling (resigned 2 March 2022)	-	-	1,259,668	95%
Daniel Eddington	-	-	604,000	97%
Stephanie Moroz (appointed 2 March 2022)	-	-	-	-
<b>Executive</b>				
Stephen Hunt	-	-	1,947,200	91%
Michael Bartels	-	-	2,042,785	87%
Adrien Wing	-	-	81,268	26%
<b>Total</b>	<b>-</b>	<b>-</b>	<b>5,970,121</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 7,000,000 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.
- Ms Moroz was issued 1,000,000 options for ordinary shares with an expiry date of 28 February 2026 and a call price of \$1.20. There are no performance conditions attached to the options.
- Mr Eddington was issued 1,000,000 options for ordinary shares with an expiry date of 30 September 2025 and a call price of \$1. There are no performance conditions attached to the options.
- Mr Hunt was issued 1,500,000 options for ordinary shares with an expiry date of 30 September 2025 and a call price of \$1. There are no performance conditions attached to the options.
- Mr Bartels was issued 1,500,000 options for ordinary shares with an expiry date of 30 September 2025 and a call price of \$1. There are no performance conditions attached to the options.

**Sparc Technologies Limited**  
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**Table 2 Sparc Technologies Limited (formerly Acacia Coal Limited) for the full year ended 30 June 2021 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	Performance Shares	Options	Total share-based payments
Thomas Spurling (appointed 12 November 2020)	36,121	-	-	0	3,431	141,575 <sup>4,6</sup>	-	141,575
Daniel Eddington (appointed 12 November 2020)	36,666	-	-	0	3,865	50,189 <sup>4</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)	-	-	-	-	-	-	-	-
Stephen Hunt (appointed 12 November 2020) <sup>2</sup>	97,169	-	-	0	7,600	50,189 <sup>4</sup>	-	50,189
Michael Bartels (appointed 1 March 2021)	80,000	-	-	0	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 <sup>1</sup>	-	-	-	-	18,821 <sup>4</sup>	109,100 <sup>5</sup>	127,921
<b>Total</b>	<b>303,456</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>22,496</b>	<b>281,926</b>	<b>109,100</b>	<b>391,026</b>

2021	Termination (\$)	Other long-term benefits (\$)	Total (\$)	Total "at risk" (%)
<b>Non-Executive Directors</b>				
Thomas Spurling (appointed 12 November 2021)	-	-	181,127	0%
Daniel Eddington (appointed 12 November 2021)	-	-	90,720	55%
Logan Robertson (resigned 12 November 2020)	-	-	-	0%
Brett Lawrence (resigned 12 November 2020)	-	-	-	-
Richard Wilson (resigned 12 November 2020)	-	-	15,000 <sup>1</sup>	0%
<b>Executive</b>				
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.
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 7,000,000 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.

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

Name	Fixed Remuneration		% At risk - STI		At risk - LTI	
	2022	2021	2022	2021	2022	2021
<b>Non-Executive Directors</b>						
Thomas Spurling	0%	100%	0%	0%	0%	0%
Daniel Eddington	5%	45%	0%	0%	95%	55%
Stephanie Moroz	3%	0%	0%	0%	97%	0%
Richard Wilson	0%	100%	0%	0%	0%	0%
Logan Robertson	0%	100%	0%	0%	0%	0%
Brett Lawrence	0%	100%	0%	0%	0%	0%
<b>Executive Directors</b>						
Stephen Hunt	9%	68%	0%	0%	91%	32%
Michael Bartels	13%	81%	0%	0%	87%	19%
Adam Santa Maria	0%	100%	0%	0%	0%	0%
<b>Other Key Management Personnel</b>						
Adrien Wing	74%	89%	0%	0%	26%	11%

## Share-based compensation

### Issue of performance shares

No new performance shares were issued during the period. Amounts stated in the tables above represent the annual expense recognised over the vesting period.

### 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	Expiry date	Exercise price	Fair value per option at grant date
Stephanie Moroz	1,000,000	2 March 2022	n/a	28 February 2026	\$1.20	\$0.584
Daniel Eddington	1,000,000	30 November 2021	n/a	30 September 2025	\$1.00	\$1.142
Stephen Hunt	1,500,000	30 November 2021	n/a	30 September 2025	\$1.00	\$1.142
Michael Bartels	1,500,000	30 November 2021	n/a	30 September 2025	\$1.00	\$1.142

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 2022 are summarised below:

	2022	2021	2020
Sales revenue	0	0	0
EBITDA	(14,009,117)	(5,511,729)	(1,421,788)
EBIT	(14,181,511)	(5,618,637)	(1,425,841)
Profit after income tax	(14,201,976)	(5,633,511)	(1,425,841)

**Sparc Technologies Limited**  
**Directors' report**  
**30 June 2022**

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

	2022	2021	2020
Share price at financial year end (\$)	\$0.64	\$0.27	n/a
Total dividends declared (cents per share)	-	-	-
Basic earnings per share (cents per share)	(18.87)	(10.01)	(5.99)

## 6. KEY TERMS OF EMPLOYMENT CONTRACTS

### Non-Executive Directors

The Company has entered into Non-Executive Director letters of appointment with each of Daniel Eddington and Stephanie Moroz (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:

- Daniel Eddington \$56,560 per annum and Stephanie Moroz \$56,181 per annum incorporating all changes since initial letter of appointment.

Mr. Eddington has been issued 2,000,000 performance shares which are subject to the conditions set out above. Ms Moroz has been issued 1,000,000 options which are subject to the conditions set out above.

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 \$247,100 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 above.

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 \$185,400 per annum plus statutory superannuation for services rendered (set at 75% working capacity) 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 above.

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 above 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:

- 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 2021	Received as part of remuneration	Additions	Disposals	Balance 30 June 2022
<b>Non Executive Directors</b>					
Daniel Eddington <sup>1</sup>	2,880,769	-	-	-	2,880,769
Stephanie Moroz	-	-	-	-	-
<b>Executive</b>					
Stephen Hunt <sup>2</sup>	7,757,533	-	-	-	7,757,533
Michael Bartels					
Adrien Wing	-	-	-	-	-
<b>Total</b>	10,638,302	-			10,638,302

1. At the 30 June 2022 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 2022 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.

**Sparc Technologies Limited**  
**Directors' report**  
**30 June 2022**

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

	Balance 1 July 2021	Received as part of remuneration	Additions	Disposals/ Other	Balance at 30 June 2022
<i>Non Executive Directors</i>					
Daniel Eddington	2,000,000		-	-	2,000,000
Stephanie Moroz	-	-	-	-	-
Stephen Hunt	2,000,000		-	-	2,000,000
Michael Bartels	2,250,000		-	-	2,250,000
Adrien Wing	750,000		-	-	750,000
<b>Total</b>	<b>7,000,000</b>		<b>-</b>		<b>7,000,000</b>

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

	Balance 1 July 2021	Received as part of remuneration	Additions	Disposals/ Other	Balance at 30 June 2022
<i>Non Executive Directors</i>					
Daniel Eddington <sup>3</sup>	-	-	1,000,000	-	1,000,000
Stephanie Moroz (appointed 2 March 2022) <sup>2</sup>	-	-	1,000,000		1,000,000
<i>Executive</i>					
Stephen Hunt <sup>3</sup>	-	-	1,500,000	-	1,500,000
Michael Bartels <sup>3</sup>	-	-	1,500,000	-	1,500,000
<i>Key Management Personnel</i>					
Adrien Wing <sup>1</sup>	1,000,000	-	-	-	1,000,000
<b>Total</b>	<b>1,000,000</b>	<b>5,000,000</b>		<b>-</b>	<b>6,000,000</b>

1. Mr Adrien Wing holds 1,000,000 unlisted options exercisable at \$0.60 expiring 31 December 2023.
2. Ms Stephanie Moroz holds 1,000,000 unlisted options exercisable at \$1.20 expiring 28 February 2026.
3. Mr Daniel Eddington, Mr Mike Bartels & Mr Stephen Hunt issued options exercisable at \$1 expiring 30 September 2025

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 2022 and up to the date of this report on the exercise of options granted:

Grant Date	Expiry Date	Exercise Price	Number under option
9 August 2018	9 August 2023	\$0.30	540,000
12 November 2020	12 November 2023	\$0.30	2,159,265
31 December 2020	31 December 2023	\$0.60	4,400,000
21 May 2021	1 June 2024	\$0.35	1,700,000
7 October 2021	30 September 2025	\$1.00	800,000
30 November 2021	30 September 2025	\$1.00	4,000,000

**Sparc Technologies Limited**  
**Directors' report**  
**30 June 2022**

2 March 2022	28 February 2026	\$1.20	1,000,000
18 July 2022	1 July 2026	\$0.90	500,000
19 August 2022	1 July 2026	\$0.90	250,000

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 2022 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.

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 27 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.

**Sparc Technologies Limited**  
**Directors' report**  
**30 June 2022**

**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**

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



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Stephen Hunt  
Director  
29 September 2022 (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 2022, 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, 29 September 2022

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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 29 September 2022. The directors have the power to amend and reissue the financial statements.

**Consolidated statement of profit or loss and other comprehensive income  
for the year ended 30 June 2022**

Consolidated Group		
	Note	<div> <div>Year ended 30 Jun 2022 \$</div> <div>Year ended 30 Jun 2021 (restated) \$</div> </div>
<b>Revenue</b>		
Other Income	3	610,833 71,958
<b>Expenses</b>		
Research and development		1,969,752 637,124
Professional and consulting fees	18	591,586 377,328
Travel		57,535 39,594
Share based payments	18	5,632,902 1,169,150
Listing expense		28,486 16,083
Employee Expenses		1,896,032 691,122
Recapitalisation expense		- 2,211,123
Depreciation and amortization		172,394 106,908
Interest on lease liabilities		20,465 14,874
Loss on disposal of financial asset		108 -
Net loss on loss of control of subsidiary		3,767,780 -
Other expenses		675,769 442,163
<b>Total Operating expenses</b>	4	<b>14,812,809 5,705,469</b>
<b>(Loss) before income tax expense</b>		<b>(14,201,976) (5,633,511)</b>
Income tax expense		-
<b>(Loss) for the year</b>		<b>(14,201,976) (5,633,511)</b>
Other comprehensive income		-
<b>Total comprehensive loss attributable to equity holders of the parent entity</b>		<b>(14,201,976) (5,633,511)</b>
<b>Earnings per share for loss attributable to equity holders of the parent entity:</b>		
Basic (cents per share)	33	(18.87) (10.01)
Diluted (cents per share)	33	(18.87) (10.01)

*The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes*

**Sparc Technologies Limited**  
**Statement of changes in equity**  
**For the year ended 30 June 2022**

**Consolidated statement of financial position as at 30 June 2022**

Consolidated Group			
	Note	Year ended 30 Jun 2022 \$	Year ended 30 Jun 2021 (restated) \$
<b>Current assets</b>			
Cash and cash equivalents	6	2,135,857	2,933,406
Receivables	7	628,590	20,546
Other	8	43,676	20,188
Current tax assets		-	199,731
<b>Total current assets</b>		<b>2,808,123</b>	<b>3,173,871</b>
<b>Non-current assets</b>			
Financial Assets	16	-	108
Property, plant and equipment	9	505,084	356,931
Other assets	10	30,000	30,356
Intangible assets	11	102,902	10,938
Right of use asset	12	361,357	453,002
Investment in Associate	13	669,760	-
<b>Total non-current assets</b>		<b>1,669,103</b>	<b>851,335</b>
<b>Total assets</b>		<b>4,477,226</b>	<b>4,025,206</b>
<b>Current liabilities</b>			
Trade and other payables	14	337,340	115,855
Employee Benefits		95,860	28,382
Lease liability	15	107,951	100,900
<b>Total current liabilities</b>		<b>541,151</b>	<b>245,137</b>
<b>Non-current liabilities</b>			
Lease liability	15	291,068	390,088
<b>Total non-current liabilities</b>		<b>291,068</b>	<b>390,088</b>
<b>Total liabilities</b>		<b>832,219</b>	<b>635,225</b>
<b>Net assets/(deficit)</b>		<b>3,645,007</b>	<b>3,389,981</b>
<b>Equity</b>			
Issued capital	17	18,138,943	9,345,737
Reserves	18	6,980,419	1,316,623
Accumulated (losses)	23	(21,474,355)	(7,272,379)
<b>Total equity/(deficit)</b>		<b>3,645,007</b>	<b>3,389,981</b>

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 2022**

**Consolidated statement of changes in equity for the year ended 30 June 2022**

Note	Contributed Equity	Share based payment	Accumulated Losses	Total
<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	4,067,792	-	-	4,067,792
Share based payment expense in the year	-	980,054	-	980,054
Shares issued, net of transaction costs, in the year	3,669,306	80,273	-	3,749,579
Shares issued to management and advisors in the year	280,000	(180,000)	-	100,000
<b>Total of transactions with owners</b>	<b>8,017,098</b>	<b>1,069,423</b>		<b>9,086,521</b>
<b>(Loss) for the year</b>			(5,633,511)	
Other comprehensive income for the year	-	-	-	-
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>-</b>	<b>(5,633,511)</b>	<b>(5,633,511)</b>
<b>Balance at 30 June 2021</b>	<b>9,345,737</b>	<b>1,316,623</b>	<b>(7,272,379)</b>	<b>3,389,981</b>
<b>Balance at 1 July 2021</b>	<b>9,345,737</b>	<b>1,316,623</b>	<b>(7,272,379)</b>	<b>3,389,981</b>
Shares issued, net of transaction costs, in the year	2,632,696	-	-	2,632,696
Shares issued on exercise of options	1,090,510	(120,010)	-	970,500
Shares issued in relation to the loss of control of subsidiary	4,950,000			4,950,000
Share based payment expense in the year	120,000	5,783,806		5,903,806
<b>Total of transactions with owners</b>	<b>8,793,206</b>	<b>5,663,796</b>	<b>-</b>	<b>14,457,002</b>
<b>(Loss) for the year</b>			(14,201,976)	(14,201,976)
Other comprehensive income for the year	-	-	-	-
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>(14,201,976)</b>	<b>(14,201,976)</b>
<b>Balance at 30 June 2022</b>	<b>18,138,943</b>	<b>6,980,419</b>	<b>(21,474,355)</b>	<b>3,645,007</b>

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

**Consolidated statement of cash flows for the year ended 30 June 2022**

		<b>Consolidated Group</b>	
	<b>Note</b>	<b>Year ended 30 Jun 2022 \$</b>	<b>Year ended 30 Jun 2021 \$</b>
<b>Cash flows from operating activities</b>			
Payments to suppliers and employees		(4,789,757)	(2,360,872)
Interest Paid		(20,465)	-
Interest Received		308	-
R&D tax refund		199,751	-
Other Income		2,461	7,900
<b>Net cash (used in) operating activities</b>	29	<b>(4,607,702)</b>	<b>(2,352,972)</b>
<b>Cash flows from investing activities</b>			
Payment for intangible assets		(91,964)	(10,938)
Payment for property, plant and equipment		(218,936)	(316,970)
Purchase of Financial Assets		-	(179)
Cash acquired by reverse acquisition		-	1,854,889
Proceeds from loan with associate		620,000	-
<b>Net cash provided by/(used in) investing activities</b>		<b>309,100</b>	<b>1,526,802</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		3,771,200	4,000,000
Share issue costs		(168,004)	(250,419)
Payment for lease liabilities (principal and interest)		(102,143)	(44,000)
<b>Net cash provided by financing activities</b>		<b>3,501,053</b>	<b>3,705,581</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(757,549)</b>	<b>2,879,411</b>
Cash and cash equivalents at the beginning of the year		2,933,406	53,995
<b>Cash and cash equivalents at the end of the year</b>	6	<b>2,135,857</b>	<b>2,933,406</b>

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

The above statement of cash flows 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 2022.

#### **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.

#### **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.

#### **Going Concern**

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

As presented in the financial statements, the Group incurred a loss before comprehensive income of \$14,201,976, and had net cash outflows from operating activities of \$4,607,702 for the year ended 30 June 2022.

The Directors believe it is reasonably foreseeable that the Group will continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report given the ability of the Group to raise additional capital either through an additional placement and/or the exercise of options and the receipt of the 2022 R&D Incentive Payment.

However, there remains a material uncertainty which may cast significant doubt as to whether the Group will continue as a going concern, and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. The financial report does not include any adjustments relating to the amounts or classification of recorded assets or liabilities that might be necessary if the entity does not continue as a going concern.

**Sparc Technologies Limited**  
**Notes to the Financial Statements**  
**30 June 2022**

**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 29.

**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 2022 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.

**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.



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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 reserve 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.

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.

### *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.

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**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.

**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 2022. The Group has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

**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.

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 2022 resulted in the recognition of a right-of-use asset with an aggregate carrying amount of \$361,357 (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 2. 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 18 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

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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.

*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 3. Other Income**

	<b>Consolidated</b>	
	<b>2022</b>	<b>2021</b>
Interest	308	5,350
Rent	6,000	2,550
Other	-	(71)
R&D Incentive	604,525	64,129
Exclusivity Agreement	-	-
	<b>610,833</b>	<b>71,958</b>

**Note 4. Expenses**

Profit before income tax includes the following specific expenses:

*Depreciation and Amortisation*

Leasehold Improvements
Plant & Equipment
Building right-of use assets
Patents

*Total Depreciation and Amortisation*

*Finance Costs*

Interest charges on building lease
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*Superannuation Expense*

Defined contribution superannuation expense
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*Share-based payments expense*

Share-based payments expense
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*Research costs*

Research Costs
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<b>Consolidated</b>	
<b>2022</b>	<b>2021</b>
18,071	3,823
52,367	35,973
101,956	67,112
(1,802)	-
172,394	106,908
20,465	14,874
167,596	57,223
5,632,902	980,054
1,969,752	637,124

**Note 5. Income tax expense**

a. Current tax receivable
Opening balance
Adjustment to other income
R&D tax incentive - refundable
Refunds received

<b>Consolidated</b>	
<b>2022</b>	<b>2021</b>
199,731	135,602
(20)	
604,505	64,129
199,751	-
604,505	199,731

The Company and its subsidiaries are currently not consolidated for tax purposes.

**Note 6. Current assets - cash and cash equivalents**

Cash at bank

*Reconciliation to cash and cash equivalents at the end of the financial year*

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	2,135,857	2,933,406
Balance as per statement of cash flows	2,135,857	2,933,406

**Note 7. Current assets - trade and other receivables**

Other Debtors
R&D Tax Incentive receivable
GST Credits

<b>Consolidated</b>	
<b>2022</b>	<b>2021</b>
-	440
604,525	199,731
24,065	20,106

628,590	220,277
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**Note 8. Current assets – other**

Prepayments

<b>Consolidated</b>	
<b>2022</b>	<b>2021</b>
43,676	20,188

**Note 9. Non-current assets - property, plant and equipment**

Leasehold improvements at cost

Less accumulated depreciation

Plant and Equipment at Cost

Less accumulated depreciation

<b>Consolidated</b>	
<b>2022</b>	<b>2021</b>
96,315	66,577
(20,168)	(3,823)
76,147	62,754
521,512	334,484
(92,575)	(40,307)
428,937	294,177

*Reconciliations*

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

	<b>Leasehold Improvements</b>	<b>Plant and equipment</b>	<b>Total</b>
Balance at 30 June 2021	62,754	294,177	356,931
Additions	31,464	187,127	218,591
Depreciation expense	(18,071)	(52,367)	(70,438)
Balance at 30 June 2022	76,147	428,937	505,084

**Note 10. Non-current assets- other**

Deposits on capital purchases

Security bond

<b>Consolidated</b>	
<b>2022</b>	<b>2021</b>
-	356
30,000	30,000
30,000	30,356

**Note 11. Non-current assets – intangibles**

Patents - at cost

Less Accumulated amortisation

<b>Consolidated</b>	
<b>2022</b>	<b>2021</b>
116,126	10,938
(13,224)	-
102,902	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**

Balance at 30 June 2021

Additions

Disposals

**Patents**

10,938

93,768

-



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Amortisation expense	(1,802)
Balance at 30 June 2022	102,902

**Note 12. Non-current assets - right-of-use assets**

	<b>Consolidated</b>	
	<b>2022</b>	<b>2021</b>
Land and Buildings -right-of-use	530,425	520,114
Less Accumulated depreciation	(169,068)	(67,112)
	<b>361,357</b>	<b>453,002</b>

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 13. Investment in associate**

Investment in Sparc Hydrogen Pty Ltd	669,760	-
	<b>669,760</b>	<b>-</b>

In August 2021, the Group established a wholly owned subsidiary, Sparc Hydrogen Pty Ltd. On 3 February 2022 the Group entered into binding agreements with Fortescue Future Industries (FFI) and the University of Adelaide (UoA) forming the Sparc Hydrogen Joint Venture. These agreements introduce FFI and UoA as shareholders of Sparc Hydrogen Pty Ltd, as at 31 December 2021 a wholly owned subsidiary of the Group.

The shareholdings at the conclusion of the transaction and at 30 June 2022 are;

- Sparc Technologies Limited – 52%
- FFI – 20%
- UoA – 28%
- 

FFI has contributed \$1.8m to Sparc Hydrogen Pty Ltd in exchange for a 20% interest. UoA licenses its pre-existing intellectual property in relation to the project in exchange for a 28% interest in Sparc Hydrogen. The Group has issued 3 million shares in Sparc Technologies Limited to UoA (2.721m shares) and Flinders University (279k shares).

Prior to the loss of control, the Group provided funding of \$1.07m to Sparc Hydrogen Pty Ltd. \$450,000 of this funding was converted to equity in Sparc Hydrogen Pty Ltd and the remaining \$620,000 was refunded to the Group.

As a result of this transaction, the Group has determined it has lost control of its wholly owned subsidiary and now has significant influence. The impact of the loss of control and establishment of the accounting for the investment in the associate is as follows;

As a result of this transaction, the Group has determined it has lost control of its wholly owned subsidiary and now has significant influence. The impact of the loss of control and establishment of the accounting for the investment in the associate is as follows;

	<b>2022</b>
Derecognition of net liabilities of Sparc Hydrogen Pty Ltd	962,460
Fair value of shares issued to UoA and Flinders University <sup>1</sup>	(4,950,000)
Fair value increase of investment in Sparc Hydrogen Pty Ltd <sup>2</sup>	219,760
Net (Loss) on control of subsidiary	<b>(3,767,780)</b>

1 Valued at \$1.65 per share being the price at the time the binding agreements were signed.

2 Valued based on 52% of the post-completion net asset value of Sparc Hydrogen Pty Ltd, being \$669,760 less the equity contribution of \$450,000.

**Note 14. Current liabilities - trade and other payables**

	<b>Consolidated</b>	
	<b>2022</b>	<b>2021</b>
Trade payables	253,413	27,334
Other payables	83,927	88,521
	<b>337,340</b>	<b>115,855</b>

**Note 15. Current liabilities - lease liabilities**

	<b>Consolidated</b>	
	<b>2022</b>	<b>2021</b>
Lease liability - current	107,951	100,900
Lease liability – non current	291,068	390,088

**Note 16 Non-current assets - financial assets at fair value through profit or loss**

	<b>Consolidated</b>	
	<b>2022</b>	<b>2021</b>
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	108	179
Revaluation reduction	108	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.

	<b>Level 1</b>
	<b>\$</b>
<i>Financial assets at fair value through profit or loss</i>	
30-Jun-22	108
30-Jun-21	108

*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 17. Equity - issued capital**

	<b>30 June 2022</b>		<b>30 June 2021</b>	
	<b>No.</b>	<b>\$</b>	<b>No.</b>	<b>No.</b>
Balance at beginning of year	70,463,258	9,345,737	29,910,100	29,910,100
Shares issued in GTS to consultants and management <sup>1</sup>	-	-	2,333,334	2,333,334
Exchange of GTS shares for the Company shares	-	-	32,243,434	32,243,434
The Company shares on issue at date of legal acquisition:			(32,243,434)	(32,243,434)
Shares on issue as at 12 November 2020	-	-	4,067,651,67	4,067,651,67
Consolidation on a 1:200 basis	-	-	0	0
Shares on issue as at 12 November post consolidation	-	-	(4,047,313,4	(4,047,313,4
Shares issued for acquisition of GTS	-	-	12)	12)
Shares issued to advisors <sup>1</sup>	187,294	120,000	20,338,258	20,338,258
Share placement <sup>2</sup>	4,000,000	2,800,000	29,500,000	29,500,000
Shares issued on exercise of options <sup>3</sup>	1,685,000	1,090,510	20,000,000	20,000,000
Share issued - other	1,000	700	-	-
Shares issued – Sparc Hydrogen transaction <sup>4</sup>	3,000,000	4,950,000	-	-
Share issue costs	-	(168,004)	-	--
Balance at end of year	79,336,552	18,138,943	70,463,258	70,463,258

1 Throughout the 2022 financial year 187,294 shares valued at \$120,000 were issued to Westar Capital for the payment of corporate advisory fees.

2 On 27 October 2021, 4,000,000 shares were issued to sophisticated and professional investors at a price of \$0.70 per share, raising \$2,800,000 with issue fees of \$168,004.

3 Options were exercised as following

- On 3 November 2021 325,000 \$0.30 options with an expiry date of 9 August 2023 were converted to 325,000 shares.
- On 24 November 2021 500,000 \$0.60 options with an expiry date of 31 December 2023 were converted to 500,000 shares.
- On 3 December 2021 150,000 \$1.20 options with an expiry date of 5 December 2021 were converted to 150,000 shares.
- On 23 December 2021 100,000 \$0.60 options with an expiry date of 31 December 2023 were converted to 100,000 shares.
- On 4 February 2022 110,000 \$0.30 options with an expiry date of 9 August 2023 were converted to 110,000 shares
- On 4 February 2022 500,000 \$0.60 options with an expiry of 31 December 2023 were converted to 500,000 shares

4. On 3 February 2022, 3,000,000 shares were issued to the University of Adelaide, valued at \$1.65 per share.

**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 2022 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 18. Equity - reserves**

**Share based payment reserve**

	<b>30 June 2022</b>	<b>30 June 2021</b>
	<b>\$</b>	<b>\$</b>
Option reserve	6,432,789	967,497
Performance share reserve	547,630	349,126
Share based payment reserve at end of year	<b>6,980,419</b>	<b>1,316,623</b>

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**

	<b>30 June 2022</b>
	<b>\$</b>
Balance at beginning of year	967,497
Issue of shares to consultants and management <sup>1</sup>	(120,010)
Issue of options to consultants <sup>1</sup>	150,094
Issue of options to employees <sup>2</sup>	282,400
Issue of options to directors <sup>3</sup>	4,568,000
Issue of options to director <sup>4</sup>	583,998
Balance at end of year	<b>6,432,789</b>

1 Throughout the period, 1,685,000 options were exercised for 1,685,000. 1,100,000 of these options had an amount allocated in the share based payment reserve at 10.91c per option. As a result \$120,101 has been reallocated to issued equity. The remaining 585,000 options had no reserve balance.

2 On 7 October 2021 800,000 options with an exercise price of \$1.00 and with an expiry date of 30 September 2025 were issued to employees.

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

- Dividend yield: nil%
- Expected volatility: 92%
- Risk free interest rate: 0.61%
- Expected life of options (years): 4
- Exercise price: \$1.00
- Grant date share price: \$0.63
- Fair value per option: \$0.353

3 On 7 October 2021 4,000,000 options with an exercise price of \$1.00 and with an expiry date of 30 September 2025 were approved for issue to directors. The shareholders at the Annual General Meeting of Sparc Technologies Ltd on 30 November 2021 approved the issue of the options. The valuation of the options was made on the date of the AGM.

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

- Dividend yield: nil%
- Expected volatility: 99%
- Risk free interest rate: 1.09%
- Expected life of options (years): 4
- Exercise price: \$1.00
- Grant date share price: \$1.54
- Fair value per option: \$1.142

4 On 2 March 2022 1,000,000 options with an exercise price of \$1.20 and with an expiry date of 28 February 2026 were approved for issue to a director.

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

- Dividend yield: nil%
- Expected volatility: 104%
- Risk free interest rate: 1.65%
- Expected life of options (years): 4
- Exercise price: \$1.20
- Grant date share price: \$0.88
- Fair value per option: \$0.579

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

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	<b>30 June 2022</b>
	<b>\$</b>
Balance at beginning of year	349,126
Issue of performance shares to Directors <sup>1</sup>	198,504
Balance at end of year	<u>547,630</u>

<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.

**Share Based Payment Expense for the year**

	<b>\$</b>
<i>Options</i>	
Expense options to consultants	150,904
Subscription contribution by consultants	(200)
Issue of options to employees <sup>2</sup>	282,400
Issue of options to directors <sup>3</sup>	4,568,000
Issue of options to director <sup>4</sup>	583,998
<i>Performance Rights</i>	
Expense of performance shares to Directors <sup>1</sup>	198,504
<i>Shares</i>	
Shares issued to advisors	<u>120,000</u>
	<u>5,903,806</u>
Share Based Payments (employee and directors)	5,632,902
Professional and consulting fees	270,704

**Note 19 Segment Information**

The directors have considered the requirements of AASB 8 Operating Segments and the internal reports that are reviewed by the chief operating decision maker (the Board) in allocating resources and have concluded at this time that there are no separately identifiable segments.

**Note 20 Subsequent Events**

No other matters or circumstances that have arisen since the end of the year to the date of this report that have significantly affected or may significantly affect either:

The entity's operations in future financial years;

The results of those operations in future financial years; or The entity's state of affairs in future financial years

**Note 21 Contingent Liability**

There are currently no contingent liabilities.

**Note 22 Adjustment to comparative information**

As disclosed in the interim financial statements for the six months ended 31 December 2021, during the preparation of the accounts the Directors identified share based payment arrangements with a corporate adviser that should have been accounted for as part of the 30 June 2021 financial statements. The impact on the reported 30 June 2021 statement of profit or loss and other comprehensive income is as follows (impacted line items only);

	Year ended 30 June 2021 \$	Adjustments	Restated Year ended 30 June 2021
<b>Expenses</b>			
Share based payments	980,054	189,096	1,169,150
<b>Total Operating expenses</b>	<b>5,516,371</b>	<b>189,096</b>	<b>5,705,467</b>
<b>(Loss) before income tax expense</b>	<b>(5,444,415)</b>	<b>(189,096)</b>	<b>(5,633,511)</b>
Income tax expense	-	-	-
<b>(Loss) for the year</b>	<b>(5,444,415)</b>	<b>(189,096)</b>	<b>(5,633,511)</b>
Other comprehensive income			
<b>Total comprehensive loss attributable to equity holders of the parent entity</b>	<b>(5,444,415)</b>	<b>(189,096)</b>	<b>(5,633,511)</b>
<b>Equity</b>			
Issued capital	9,345,737		9,345,737
Reserves	1,127,527	189,096	1,316,623
Accumulated (losses)	(7,083,283)	(189,096)	(7,272,379)
<b>Total Equity</b>	<b>3,389,981</b>	<b>-</b>	<b>3,389,981</b>

**Note 23. Equity - retained profits**

	<b>Consolidated</b>	
	<b>2022</b>	<b>2021</b>
Retained earnings at the beginning of the financial year	(7,272,379)	(1,638,868)
Loss after income tax expense for the year	(14,201,976)	(5,509,082)
Retained losses at the end of the financial year	(21,474,355)	(7,147,950)

## **Note 24. Commitments**

### **Expenditure commitments**

The Group has the following commitments as at 30 June 2022.

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 2022, 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 2022, 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 2022, 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.

	<b>Office Lease</b>
	<b>\$</b>
Right-of-use asset	
Balance as at 30 June 2021	453,003
Amortisation for year	(91,646)
Carrying amount as at 30 June 2022	361,357
	<b>Office Lease</b>
	<b>\$</b>
Lease liability	
Balance as at 30 June 2021	490,852
Interest expense for year	(19,363)
Payments for lease liabilities for year (change arising from financing activity)	121,506
Carrying amount as at 30 June 2022	399,019
	<b>As at</b>
	<b>30 Jun 2022</b>
	<b>\$</b>
Amounts recognised in statement of cash flows	
Interest expense on lease liability for year	19,363
Payments for principal portion of lease liabilities for year	102,143
Total cash outflow in relation to leases for year	121,506

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

**Note 25. Leasing commitments - additional**

**Lease commitments**

	<b>Consolidated</b>	
	<b>2022</b>	<b>2021</b>
Minimum lease commitments payable (undiscounted):		
1 year or less	123,012	120,000
Between 1 and 2 years	123,012	120,000
Between 2 and 3 years	123,012	120,000
Between 3 and 4 years	61,506	120,000
Between 4 and 5 years	-	60,000
	<b>430,542</b>	<b>540,000</b>

**Note 26. Key management personnel disclosures**

	<b>Consolidated</b>	
	<b>2022</b>	<b>2021</b>
<i>Compensation</i>		
The aggregate compensation made to directors and other members of key management personnel of the Group is set out below:		
Short term employee benefits	568,744	303,456
Post employment benefits	50,874	22,496
Long term benefits	-	-
Share based payments	5,350,503	391,026
	<b>5,970,121</b>	<b>716,978</b>

**Note 27. 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>2022</b>	<b>2021</b>
Audit services – BDO Audit Pty Ltd		
Audit of financial statements	35,948	18,000
Other Services – BDO		
Taxation Services	4,935	
Advisory	5,060	
	<b>9,995</b>	
	<b>45,943</b>	<b>18,000</b>

**Note 28. Related party transactions**

*Parent entity*

Sparc Technologies Limited is the parent entity.

*Subsidiaries*

Interest in subsidiaries are set out in note 31

*Key management personnel*

Disclosures related to key management personnel are set out in note 26 and the remuneration report included in the directors' report.

*Transactions with related parties*



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During 2022, there were no payments made to related parties of Directors.

**Note 29. 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>2022</b>	<b>2021</b>
Loss of after income tax		(14,201,976)	(5,663,206)
Total comprehensive loss		(14,201,976)	(5,663,206)
<i>Statement of financial position</i>			
Total current assets		2,808,123	3,173,871
Total assets		4,477,226	4,025,206
Total current liabilities		541,151	245,137
Total liabilities		832,219	635,225
Equity			
Issued capital		18,138,943	9,345,732
Reserve		6,980,419	1,192,194
Accumulated losses		(21,474,355)	(7,302,074)
Total equity		3,645,007	3,265,852

**Note 30. Reconciliation of profit after income tax to net cash from operating activities**

		<b>Consolidated</b>	
		<b>2022</b>	<b>2021</b>
<b>Loss after tax</b>		(14,201,976)	(5,663,206)
Depreciation & amortisation		172,394	106,908
Net fair value loss on subsidiary		3,660,804	71
Interest RTU		-	14,874
Share based payments		5,903,806	1,169,150
Reverse acquisition costs		-	2,211,123
Decrease/(Increase) in receivables		(3,539)	99,814
Increase in Other		(23,488)	(5,576)
Increase in Tax Receivable		(404,774)	(64,129)
Increase in other assets		-	(30,357)
(Decrease)/Increase in trade payables		221,485	(249,720)
Increase in employee benefits		67,478	28,382
		9,594,274	3,156,111
Net cash from operating activities		(4,607,702)	(2,352,972)

**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	
		2022 %	2021 %
Sparc Operations Limited	Australia	100.00%	100.00%
Mt Garnet Mines NL	Australia	100.00%	100.00%

### **Note 33 Earnings per Share**

Basic earnings per share amounts are calculated by dividing net loss for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	Consolidated	
	2022 \$'000	2021 \$'000
Loss after income tax	(14,201,976)	(5,633,511)
Profit after income tax attributable to the owners of Sparc Technologies Limited	(14,201,976)	(5,633,511)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	75,266,509	56,237,661
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	75,266,509	56,237,661
	Cents	Cents
Basic earnings per share	(18.87)	(9.68)
Diluted earnings per share	(18.87)	(9.68)

## **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 2022 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



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Stephen Hunt  
Chairman

29 September 2022  
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 2022, 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 2022 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.

#### Material uncertainty related to going concern

We draw attention to Note 1 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the group's ability to continue as a going concern and therefore the group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

#### 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.

## Disposal of subsidiary and investment in joint venture

KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN OUR AUDIT
<p>As disclosed in note 13, in August 2021 the Group established a wholly owned subsidiary, Sparc Hydrogen Pty Ltd and then subsequently lost control of this subsidiary.</p> <p>On 3 February 2022 the Group entered into binding agreements with Fortescue Future Industries (FFI) and the University of Adelaide (UoA) forming the Sparc Hydrogen Joint Venture.</p> <p>The measurement and treatment for the disposal of a subsidiary as set out in note 13 is a key audit matter due to:</p> <ul style="list-style-type: none"> <li>The significance of the impact of the transaction on profit or loss.</li> <li>The level of audit procedures undertaken to evaluate management's application of the measurement and recognition criteria for disposal of a subsidiary as required by AASB 10 Consolidated Financial Statements.</li> <li>The level of audit procedures undertaken to evaluate management's application of the measurement and recognition criteria for joint venture asset fair value required by AASB 11 Joint Arrangements.</li> </ul>	<p>Our audit procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>Assessing the terms of relevant contracts against the requirements of AASB 10 Consolidated Financial Statements.</li> <li>Ensuring the accounting entries for disposal of the subsidiary were accurate.</li> <li>Checking the disclosure of the transaction was in accordance with AASB 10 Consolidated Financial Statements.</li> <li>Vouching the carrying value of liabilities disposed were fairly stated.</li> <li>Vouching the recognition and measurement of shares issued as part of the sale.</li> <li>Considering management's assessment of the value of the investment in the joint venture, which reflected the consideration contracted parties contributed for their share of the joint venture and agreed the accounting entry made to bring the asset to fair value.</li> </ul>

## Share based payments

KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN OUR AUDIT
<p>During the year ended 30 June 2022, the Company issued options to employees including key management personnel which were accounted for as share based payments under AASB 2: Share Based Payments.</p> <p>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.</p> <p>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</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 options using the valuation methodology selected, including assessing the reasonableness of the methodology used and key inputs used in the Group's valuation model.</li> </ul>

KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN OUR AUDIT
estimates and judgements applied to these transactions.	<ul style="list-style-type: none"> <li>Reviewing the adequacy of the Group'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 2022, 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 7 to 14 of the directors' report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of Sparc Technologies Limited, for the year ended 30 June 2022, 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 stylized blue ink signature of the BDO firm, consisting of the letters 'BDO' in a cursive, handwritten style.

**BDO Audit Pty Ltd**

A blue ink signature of Andrew Tickle, written in a cursive, handwritten style.

Andrew Tickle  
Director

Adelaide, 29 September 2022

## Shareholder information

### Distribution of equitable securities as at date of report

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

	Ordinary Shares	
	Number of holders	% Of total shares issued
1 to 1,000	1,453	34.51
1,001 to 5,000	1,455	34.56
5,001 to 10,000	469	11.14
10,001 to 100,000	736	17.48
100,001 and over	97	2.30
	4,210	100.00
Holding less than a marketable parcel	764	18.16

### 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	4.83
STEPHEN BRIAN HUNT	3,565,416	4.48
INNOVATION AND COMMERCIAL PARTNERS PTY LTD	2,721,000	3.42
DANIEL WILLIAM EDDINGTON & JULIE EDDINGTON	2,680,769	3.37
CANE ASSET MANAGEMENT PTY LTD	2,554,187	3.21
STEPHEN BRIAN HUNT & JOHN HUNT	2,287,287	2.87
BLAMNCO TRADING PTY LTD	2,250,000	2.83
MS MARNIE JANE EDDINGTON	2,234,397	2.81
MINERALS AND METALS MARKETING PTY LTD	1,829,830	2.30
ANDREW GARNET SMITH & SALLYANNE MAREE SMITH	1,372,372	1.72
THOMAS ANTHONY SPURLING	1,169,887	1.47
RED DOG #1 PTY LTD	1,009,814	1.27
BNP PARIBAS NOMS PTY LTD	913,967	1.15
LANEWAY INVESTMENTS PTY LTD	850,000	1.07
MR TIMOTHY JAMES FLAVEL	757,457	0.95
MR EDWARD MALOUF	700,000	0.88
MR JOSEPH PATRICK BURKE	641,249	0.81
SHARESIES NOMINEE LIMITED	640,475	0.80
SCHAMMER PTY LTD	491,335	0.62
MS JULIE LE CORNU	446,432	0.56
	32,958,517	41.39



## Unquoted equity securities

	Number on issue	Number of holders
Options over ordinary shares issued	15,349,265	24
Performance Shares	7,000,000	4

## Substantial holders

Substantial holders in the company are set out below:

	Number held	Ordinary shares % Of total shares issued
Innovation & Commercial Partners Pty Ltd <ATF The Adelaide Research & Innovation Investment Trust> & The University of Adelaide	6,563,643	8.20
Stephen Brian Hunt	7,757,533	9.70

## 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.

## Restricted Securities

The Company confirms the following securities will be subject to restriction pursuant to the ASX Listing Rules for the periods outlined below:

Class	Number	Restriction Period
Shares	11,857,895	24 months from the date of official quotation
Options with an exercise price of \$0.30 and an expiry date of 12 November 2023	2,159,265	24 months from the date of official quotation
Performance Rights	7,000,000	24 months from the date of official quotation

## Other

- The name of the Company Secretary is Adrien Wing.
- The registered address in Australia is Level 2, 480 Collins Street, Melbourne VIC 3000
- Registers of securities are held at the following address: Link Market Services, Tower 4, 727 Collins Street, Melbourne VIC 3008.
- Stock Exchange Listing: Quotation has been granted for all ordinary shares on all Member Exchanges of the ASX Limited

Corporate Governance: A copy of the Company's Corporate Governance Statement is available on the Company's website at <https://sparctechnologies.com.au/>.