



## **ASX ANNOUNCEMENT**

### **FOR IMMEDIATE RELEASE TO THE MARKET**

**PPK Group Limited – ASX Code: PPK**

**Tuesday 13 November 2018**

### **ACQUISITION and CAPITAL RAISING**

- PPK Group Ltd to acquire AIC Investment Corporation Pty Ltd (AICIC):
  - results in 50% ownership of BNNT Technology Ltd
  - Boron Nitride Nanotubes ready for bulk scale commercialisation through patented technology
  - multiple uses in mining, defence, aeronautical, space, medical and other industries
- Initially funded by \$3,530,000 capital raise at \$0.35 from Sophisticated Investors (of which \$350,000 will be subject to Shareholder approval at the AGM to issue shares up to 10% of the issued capital in PPK).

#### **Strategic Acquisition of AIC Investment Corporation Pty Ltd (AICIC)**

PPK Group Ltd (PPK) is pleased to announce it has signed a binding Heads of Agreement with one of Australia's leading technology incubator and commercialisation companies, Australian Innovation Centre Pty Ltd (AIC), for the acquisition of 100% of AICIC.

AICIC owns 50% of BNNT Technology Limited, a joint venture between the AICIC and Deakin University of Victoria to commercialise Deakin University's patented Boron Nitride Nanotubes (BNNT) Manufacturing Technology. Over the past 10 years Deakin University has developed the world's only known technology for manufacturing BNNT in bulk therein enabling it to open world markets for this unique and highly sought product. BNNT Technology Limited holds a 20 year exclusive licence over the BNNT manufacturing technology.

Professor Ying (Ian) Chen, PhD, Alfred Deakin Professor and Chair in Nanotechnology at Deakin University's Institute for Frontier Metals describes BNNTs as "one of the strongest and lightest nanofibers known to man and in some applications are a giant leap forward from graphene and carbon fibre products. They are seen as a revolutionary breakthrough in creating super strong, lightweight composite materials such as steel, aluminium, titanium, glass and plastic in entirely new forms. BNNTs are an advanced new nanomaterial that have superior mechanical properties, excellent thermal conductivity, optical and infrared transparency, thermal and chemical stability, neutron shielding capability, electrical

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insulation properties and extreme flexibility. For example, BNNTs are stronger than high-strength steel and industrial-grade carbon fibre, while they are as light as carbon fibre. When used in the manufacture of new composite materials, potential applications include the next-generation of fighter jets, spacecraft, bullet-proof vests, transparent armour, heat sink for electronics, lighter-weight vehicles, safer lithium-ion batteries and sporting goods.”

BNNT was discovered by Professor Richard Smalley (Nobel Prize, Chemistry, 1996). Professor Smalley stated “The nanotube is the strongest fiber that you can make out of anything, ever.” However, it has only been possible to produce BNNT in very small “laboratory scale” quantities of just a few grams per day, making it impossible to commercialize ... until now.

AICIC is currently establishing BNNT Technology Limited’s first full scale production plant at Deakin University’s ManuFutures, a purpose-built advanced manufacturing innovation hub in their Geelong Waurm Ponds Campus. BNNT Technology Limited was recently awarded a Federal Government Manufacturing Grant of \$1,400,000 for the new BNNT plant.

Mr Gary Walsh, a manufacturing engineer and director of AIC, AICIC and BNNT Technology Limited said:

“We are very fortunate to join with PPK Group in progressing the commercialisation of such a unique, disruptive and important material for worldwide markets for many future decades. This technology places an Australian company at the very forefront in manufacturing advanced materials sought by governments and industry and has the potential to initiate a multi-billion dollar export business for Australia.”

Having extensive experience and understanding of the manufacturing of plastics technology, PPK recognises the importance of the breakthrough BNNT presents and the opportunity to manufacture commercial quantities of BNNT to not only create superior new-generation plastics, but also in the development of advanced tooling and associated equipment in its existing underground coal mining business and industry sector. PPK sees this investment as an opportunity to further secure a leading position in developing and providing a broad range of advanced products in the mining industry as well as other industries.

AICIC also has equity in two other technology ventures which are now entering the market after two year accelerated commercialisation programs. PPK will also enjoy a priority arrangement with AIC that provides PPK a first right to innovations and technologies commercialised by AIC over the next 5 years. This will enable the establishment of a valuable and resourceful alliance between PPK and AIC for many years to come.

### **Transaction Terms**

The acquisition is taking place in two stages:

- an initial funding of AICIC through a \$3,600,000, 3 year secured loan; and
- a purchase of 100% of the issued capital of AICIC from AIC, subject to PPK Shareholders’ approval, for a price of \$6,650,000 payable by the issue of shares in PPK (Consideration Shares). The number of Consideration Shares to be issued will be calculated using the 5 day volume-weighted average price (vwap) immediately prior to the date of issue, provided that the total number of Consideration Shares issued to the Vendor will be capped at the greater of 10,000,000 or 15% of the total issued capital of PPK. The Consideration Shares will be escrowed for a period of 24 months. Should the value of the Consideration Shares issued to AIC, calculated based on the 5 day vwap share price of PPK immediately prior to the release of the Consideration Shares from escrow, be less than the \$6,650,000, PPK will be obligated to pay AIC the difference in cash as an adjustment to the purchase price.

- Post completion of the acquisition in respect of the two financial years commencing subsequent to completion, if AICIC delivers EBIT of greater than \$10,000,000 for that total period:
  - AIC will be entitled to a payment of 50% of the amount over \$10,000,000 EBIT in that period capped at \$10,000,000 (Payment);
  - AIC has the option of accepting the Payment as either cash or the equivalent value of fully paid ordinary shares in PPK (Payment Shares) calculated using the 5 day volume-weighted average price immediately prior to the date of issue;
  - Any issue of Payment Shares in PPK is subject to any shareholder approval or other approvals that may be required or desirable for the issue of those shares; and
  - subject to above, the Payment must be paid within 30 days of the end of the audit of the second financial year of that two year period.

### **Capital Raising**

PPK has entered into Share Subscription Agreements to issue 9,100,000 PPK shares (Subscription Shares) to Sophisticated Investors at \$0.35 per share to raise \$3,185,000. This is within PPK's 15% capacity in accordance with ASX Listing Rule 7.1. Funds are due to be received no later than 24 November 2018. Subject to the passing of a resolution (resolution 3 on the notice of meeting) at the Annual General Meeting on 27 November 2018 seeking authorisation to issue up to a further 10% of the Company's issued capital, PPK has also agreed to issue a further 1,000,000 PPK shares at \$0.35 per share to a Sophisticated Investor. All capital raised will facilitate the funding of the contractual obligations outlined above. An Appendix 3B Application for Quotation and a cleansing notice will be lodged with ASX upon the issue and allotment of the Subscription Shares. The placement was undertaken with a small number of Sophisticated Investors (no subscribers are related parties to PPK) due to the relatively tight timeframe for the transaction to be undertaken.

The subscription price represents a 13% premium to the 30 day volume weighted average price (vwap).

### **Conclusion**

In conclusion, PPK's financial position and Balance Sheet position continue to improve over the current financial year. The Board and management team are extremely positive about the AICIC transaction and see the opportunity benefiting the Mining equipment division over the medium term. The Board's extensive plastics experience give it confidence there are many other industries that PPK can collaborate with to make the best and most profitable use of the BNNT production once volume production is achieved. The Board expects the final transaction to be put before shareholders for their approval at an Extraordinary General Meeting in February 2019.

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