PPK

MINING EQUIPMENT

Annual Report 2023

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CHAIRMAN'S REPORT

Dear fellow shareholder,

It is my pleasure to provide an update on the progress your company has made in the last financial year, its first full financial year after the demerger from PPK Group Limited (PPK). The major activity during the year has been the acquisition of the NSW and QLD based business of Valley Longwall Diesel (VLI) in July 2022 for $9.2 million, and the subsequent integration of this business into the Company's operations. I must acknowledge the efforts of Dale McNamara in both delivering and then overseeing this integration, and all employees of PPKMEG, including the 44 new employees that have joined with the acquisition and those with our company previously.

We are already seeing the benefits of the increased scale this acquisition brings, particularly to our Tomago workshop, with group revenues increasing to $62.635M, a 65% increase from the previous year. This comprises the sale of parts and equipment of $26.3M, 94% above the previous year, and overhaul and workshop revenues of $34.2M, up 48% over the previous year.

Our EBITDA of $6.548M was $4.893M higher than the previous year and NPBT also increased to $2.624M, a turnaround of $3.658M from the previous year's loss, inclusive of a $1.207M gain on acquisition in the current year. This year's expenses include a one-off integration cost of $0.256M and $0.150M paid as a sign-on payment to staff as negotiated in the Enterprise Agreement.

The acquisition of the well-known industry brands from VLI included the Driftrunner range of personnel carriers (with 683 manufactured over its lifetime), the Jug-A-0 diesel-powered four-wheel drive Long-Haul-Dump vehicle and the Brumby utility vehicle. These, combined with PPKMEG's Coaltram Long-Haul-Dump Tier 3 vehicle, provide for more than 1,000 active vehicles operating in our target sector, which will all require ongoing parts sales, service and support.

Importantly, during the financial year, the company sold six new Driftrunners, with a value of approximately $3.000M. Two of these vehicles were completed, delivered and fully paid for by the end of the financial year; two more were completed, delivered and paid for subsequent to the end of the financial year; and the last two are currently being manufactured and will be delivered before Christmas.

In addition, we finalised negotiations with our employees for a new Enterprise Agreement in May 2023, which will take us through to December 2025. In a high inflationary economic environment, these negotiations have taken time, but we appreciate the employees' patience to reach an agreement that was beneficial to them and commercially viable to PPKMEG.

CAPITAL UPDATE

The acquisition of the VLI business was financed by $8.600M of short-term loans. All loans, including an existing loan of $2.000M provided by PPK Group as part of the demerger in June 2022, were subsequently refinanced by a $10.000M facility from a leading Australian bank in June 2023, with interest at the Bank Bill Swap Rate plus 3.85%. The interest rate will be adjusted quarterly for market interest rates. The loan is repayable on a quarterly basis, with the final payment due in May 2028.

OUTLOOK

Now the VLI business integration has been completed and the new finance facility is in place, we are optimistic about the future and expect to see revenues and profits continue to increase. This is already evident from the sales of Driftrunner personnel vehicles, the increase in overhaul and servicing work performed in our NSW workshops and our newly acquired Queensland service centre, as well as the increase in parts sales during the financial year. We have managed to maintain competitive margins during a period of increased inflation and anticipate this to continue in the future.

CAPITAL EQUIPMENT

The demand for new capital equipment is the highest we have seen in the last eight years, with signed purchase orders received subsequent to the end of the financial year for a further four Driftrunners, all expected to be completed and delivered by Christmas. We have also received conditional purchase orders for the sale of two Coaltrams, pending the customer receiving finance approval in the coming weeks.

We are continuing to negotiate customers' specific requirements for Driftrunners and Coaltrams and expect to announce further new build sales in the coming months.

We have also submitted five tenders which we are waiting for decisions to be made. These include overhauls of Driftrunners from an international company for two of their NSW mines, the sale of up to eighteen new Driftrunners to various Australian mines, overseas mines and various equipment hire companies, as well as the sale of one Driftrunner and one Coaltram to a local company.

In addition to our own OEM vehicles, we are in discussion with one of China's largest mining equipment manufacturing companies for the build of new heavy machines, to further bolster the Group's expanding product offering. The discussions have been positive to date, and we expect them to continue this financial year, with new machines being available for Australian commissioning and sale in Australia the following financial year.

In the coming years, the Group intends to expand its sales into international markets, with Indonesia and India being an immediate focus.

New Technology Updates

The Company's proprietary Belford Ceramic Filter has been approved by the NSW resource regulator and will now undergo comprehensive testing at one of our largest customer's underground mines. Once testing has completed, we intend to start marketing this new product to the industry for installation to new vehicles, with this expected to occur later in the 2024 financial year. The next step will be to retrofit the Belford Ceramic Filter to both the Driftrunner and Jug-A-0 vehicles currently operating underground now. This will also require approval from the NSW resource regulator, which we expect to receive, given we have existing approval for new vehicles. Once this approval is obtained, we can proceed to marketing the filter to new and existing customers who own these vehicles. As PPKMEG continues to aid the mining industry's transition to a sustainable future, the Belford Ceramic Filter eliminates the need for staff to handle diesel particulates, as well as the significant environmental reduction of waste. The filter is also suitable for both new and retro-fitted Coal Trams and should have a positive material impact on the company's revenue over time, as more are fitted to both new and existing vehicles.

BEV Update

Over the course of the last three years the Company has spent significant funds finalising a design and building the initial "prototype" for a totally new underground battery electric vehicle (BEV). The company is now entering into negotiations with one of Australia's leading battery manufacturers to develop a suitable battery pack to power the new BEV and to allow for the re-powering of existing underground mining vehicles.

Coaltram Update

Development has continued this year to further improve the Coaltram, delivering a superior, more reliable product for our customers. We have improved ingress protection of components, now use higher rated pressure sensor heads and seals which has greatly enhanced pressure sensor reliability, as well as advancements to the injector solenoid encapsulant, lower expansion with heat and improved life. We are also working on a third-party Electronic Control Unit to replace our MONEx unit to reduce costs and provide easier programming and fault-finding.

Corporate Matters

During the year, the group moved away from its initial reliance on PPK Group's transitional provision of corporate office support and have, and will continue, to bring expertise in-house with the employment of full-time senior staff in our Tomago office. This is an opportunity to reduce our cost structure, while also employing key staff from our local community and increase the level of corporate experience and knowledge required for the next stage of growth for the Company.

Unmarketable Parcels Share Buyback

The Board proposes to undertake a selective buyback of shares from shareholders whose shares are valued at less than $500 (referred to as an 'unmarketable parcel' of shares). Further information will be set out in the upcoming Notice of Meeting.

With over 3,920 holders of unmarketable parcels, if approved at the AGM, the buy-back will reduce the administrative costs associated with maintaining a large number of very small holdings and will provide these shareholders with the ability to sell and realise their shares without incurring brokerage and other expenses.

Summary

To conclude, I would like to emphasise how the acquisition of the VLI business has created much needed scale within the Company structure and with the addition of extra skilled VLI staff to the company's operations, PPKMEG is ready for its next stage of significant growth.

Your Board expects further improvement in the financial results for FY24 and is intent on paying dividends to shareholders in the future, subject to the achievement of further growth initiatives. The company will also provide material updates of its achievements and milestones moving forward, via its website and other forms of shareholder communications.

Lastly, I once again thank you for your continued ongoing support.

Robin Levison

Chairman

DIRECTORS' REPORT

Your directors present their report together with the financial statements of the consolidated entity, being PPK Mining Equipment Group Limited ("PPKMEG") and its 100% owned subsidiaries ("the "Group") for the financial year ended 30 June 2023.

DIRECTORS

The names of directors in office at any time during or since the beginning of the financial year and up until the date of this report are:

Robin Levison
Dale McNamara
Simon Napoli

Directors have been in office since the start of the financial year to the date of this report, unless otherwise noted.

INFORMATION ON DIRECTORS

Details of the current directors' qualifications, experience and special responsibilities are detailed below:

Robin Levison CA MBA F.A.I.C.D.
Chairman

Member of the PPK Mining Equipment Group Limited Board since 22 October 2013.

Robin has more than 25 years of public company experience management and board experience. During this time, he has served as Managing Director of Industrea Limited and Spectrum Resources Limited and has held senior roles in KPMG, Barclays Bank and Merrill Lynch. He is the Non-Executive Chairman of PPK Group Limited and a Non-Executive Director of a number of PPK's related companies including ASX listed Li-S Energy Limited and unlisted public company White Graphene Limited and private companies including BNNT Technology Pty Ltd, BNNT Precious Metals Pty Ltd, 3D Dental Technology Pty Ltd, Ballistic Glass Pty Ltd, Strategic Alloys Pty Ltd, AMAG Holdings Australia Pty Ltd and Craig International Ballistics Pty Ltd.

Robin holds a Master of Business Administration from the University of Queensland, is a Member of the Institute of Chartered Accountants Australia and NZ and is a Graduate and Fellow of the Australian Institute of Company Directors. Robin recently retired as Chair of the University of Queensland Business, Economics and Law Alumni Ambassador Council.

Other listed public company directorships held in the last 3 years:

- Non-Executive Chairman of PPK Group Limited (Appointed: 22 October 2013)
- Non-Executive Chairman of Mighty Craft Limited (formerly Founders First Limited), (Appointed: 17 December 2019 to 22 November 2022)
- Non-Executive Director of Li-S Energy Limited (Appointed: 12 July 2019)

Dale McNamara
Executive Director

Member of the PPK Mining Equipment Group Limited Board since 30 April 2015.

Dale has more than 30 years of experience in operational and management roles in the coal mining industry in Australia and China.

Dale founded Wadam Industries Pty Ltd, a subsidiary of Industrea Limited, and served as its Managing Director from 1993. Dale was appointed as Deputy Chief Executive Officer of Industrea in 2009. Following the takeover of Industrea in November 2012, Dale was appointed as Global Director, Mining with the new owner. Dale was then appointed as an Executive Director of PPK Group Limited.

Other listed public company directorships held in the last 3 years:

- Executive Director of PPK Group Limited (Appointed: 30 April 2015 to 9 June 2022)

Simon Napoli
Non-Executive, Independent Director

Member of the PPK Mining Equipment Group Limited Board since 24 May 2022.

Simon Napoli is the Managing Director and Chief Executive Officer of EDG Capital Limited, an unlisted public company that operates as a boutique, fully integrated property group. Simon has more than 20 years' experience in the property industry having held senior roles in Lend Lease Corporation, Queensland Investment Corporation and as an advisor for several non-profit organisations.

Other listed public company directorships held in the last 3 years: Nil

INFORMATION ON COMPANY SECRETARIES

Will Shiel BA (Hons) in Law FGIA

Appointed as Company Secretary on 16 August 2021.

Will is the General Counsel and Company Secretary of PPK Group Limited and specialises in all aspects of commercial law, with a particular focus on contracts and cutting-edge technology transactions. Will was Head of Technology (Legal) at ASX Limited where he managed a team responsible for technology, intellectual property and data matters. Before this, he held a variety of senior positions in Brisbane, Sydney and London at leading national and international law firms including Allens Linklaters, Gilbert+Tobin and Clifford Chance.

Liam Fairhall Blaw (Hons); Bmed Rad Sci; Grad Dip ACGRM

Appointed as Company Secretary on 30 June 2022.

Liam is the Deputy General Counsel and Company Secretary for PPK Group Limited and specialises in all aspects of corporate law and governance and has acted on a wide range of complex transactions, assisted multiple companies list on the ASX and advised Boards on a diverse range of regulatory and complex issues. Liam was Head of Legal and Company Secretary at a technology focused bank that specialises in the provision of payment products and financial crime services. Before this he was a Senior Associate in the Corporate Advisory Group of one of Brisbane's largest independent law firms.

PRINCIPAL ACTIVITIES

PPKMEG has been in operation for more than eleven years and provides a range of solutions and market-leading products that service and support the underground coal mines in the Hunter Valley and Illawarra regions in NSW and the Bowen Basin in Queensland.

The Group is an original equipment manufacturer (OEM) specialising in the maintenance, hire, repair and overhaul of plant and equipment, tooling and consumables for the mining sector and related industries.

This includes the manufacture, sales and servicing of the:

- CoalTram LHD (Load, Haul, Dump) utility vehicles, the only Tier 3 certified electronic engine management system with some of the lowest exhaust emissions for underground coal mines;
- Driftrunner personnel carriers, the highest Australian selling personnel carrier, currently with 683 vehicles manufactured to date;
- Jug-A-0 diesel powered for wheel drive LHD vehicle capable of lifting between 10 and 12 tonnes;
- Brumby utility vehicles; and
- Small mining equipment (under the internationally known brands of Rambor and Firefly).

The Group operates from two major NSW workshops in Tomago and Port Kembla and in Emerald, Queensland, and has sales and servicing centres in Mt Thorley, NSW and Mackay, Queensland.

OPERATING RESULTS

PPKMEG significantly increased its total revenues and other income to $62.635M from $37.871M, an increase of 65%. This is made up of the sale of parts and equipment of $26.325M, being 94% above the previous year, and overhaul and workshop revenues of $34.217M, being 48% over the previous year.

Net profit after tax was $2.624M, a turnaround of $3.658M from a loss in 2022 of $1.034M. This current year result included a $1.207M gain on acquisition, a one-off cost for the business integration of $0.256M and an employee sign-on payment of $0.150M for the new Enterprise Agreement.

DIVIDENDS PAID OR DECLARED

No dividends were declared or paid during the year.

REVIEW OF OPERATIONS

Information pertaining to Review of Operations are included in the Chairman's Report set out in pages 1 - 3.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Business Acquisition

The major activity during the year has been the acquisition of the VLI business in July 2022 for $9.200M and the subsequent integration of this business into PPKMEG's operations.

The acquisition was financed by $8.600M of short-term loans and existing working capital. All loans, including a $2.000M loan from PPK Group provided as part of the demerger in June 2022, were refinanced by a leading Australian bank in June 2023, at market interest rates.

The acquisition included the well-known industry brands Driftrunner (a range of personnel carriers, with 683 manufactured over its lifetime), Jug-A-0 (a diesel powered four-wheel drive Long-Haul-Dump vehicle) and Brumby (utility vehicle). These vehicles, along with PPKMEG's Coaltram Long-Haul-Dump vehicle, provide the Group with more than 1,000 active vehicles in operation that will require ongoing service and support.

With the finalisation of the accounting treatment for the acquisition as at 15 July 2022, a summary of the assets and liabilities acquired is as follows:

Summarised Statement of Financial Position	$000
Inventory	2,385
Work-in-progress	1,538
Hire equipment	4,757
Plant and equipment	226
Intangible IP acquired	2,200
Land and buildings	242
Total assets purchased	11,348
Employee entitlements	(719)
Deferred tax liability	(222)
Net identifiable assets	10,407
Purchase price	(9,200)
Gain on acquisition	1,207

Capital Management

On 22 June 2023, the Group repaid all short-term loans and entered into agreements with a major Australian bank for the following facilities:

- Corporate Market Loan of $10.000M used to refinance and consolidate previous short-term loans and the $2.000M loan from PPK Group, provided as part of the demerger. Interest is set at the Bank Bill Swap Rate plus 3.85%, with an expiry date of 30 April 2028.
- Finance Facility of $6.000M to be used for working capital purposes, with no expiry date. The facility has been partially drawn down as at 30 June 2023.
- Credit Cards facility of $0.100M.

The facilities are secured against all the present and future rights, property and undertakings of PPKMEG and all wholly owned subsidiaries.

Leases

During the financial year, the Group signed five year lease extensions for the properties at Tomago and Port Kembla, with an expiry date of 31 July 2027 at both sites. In addition to the NSW leases, as part of the VLI acquisition the Group was assigned the workshop lease in Emerald which expires in July 2025 and a sublease for the warehouse in Mackay, which is on a rolling month to month basis.

Enterprise Agreement

The Group finalised negotiations on a new Enterprise Agreement in May 2023, which will be in effect until December 2025. This new Enterprise Agreement replaces the previous agreement, which had expired in December 2021.

REVIEW OF FINANCIAL CONDITION

With the VLI business acquisition in July 2022 and the subsequent integration into PPKMEG, the balance sheet of the Group has changed substantially.

Net assets have increased by 14% to $17.760M, while current working capital has increased to $16.013M from $13.674M in 2022, a 17% increase. The largest movements have been the increase in trade receivables of $2.754M, increase in inventories of $5.015M, offset by an increase in trade payables of $4.516M.

Non-current assets have increased by $11.886M year on year, up to $16.109M and non-current liabilities have increased by $12.081M to $14.362M. The largest movements have been an increase of right-of-use assets of $6.227M offset by an increase in loans payable of $6.800M and an increase in lease liabilities of $5.099M.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Leases

The Group extended the existing lease agreement with its current motor vehicle fleet provider for a further twelve month period, renewing as each individual lease expires. The current motor vehicle fleet provider has completed a proposal schedule to refinance all existing fleet vehicles and is currently being reviewed by Executive Officers and the Board. The Group has provided a guarantee and indemnity to the lessor.

Once approval has been communicated to the fleet provider, there is potential for extended delivery delays, due to international supply chain issues. The Group have reviewed the condition of the existing fleet and confirm it will continue to service the needs of the business, until new vehicles are delivered.

Customer Contracts

Subsequent to 30 June 2023, the Company entered into a contract with a major Australian underground coal mine for the overhaul and repair of a vehicle fleet. This contract is in addition to existing customer contracts and further strengthens the Group's strong revenue base.

There were no matters or circumstances which have arisen since the reporting date that have significantly affected or may significantly affect the operations, the results of those operations or state of affairs of the consolidated entity subsequent to the financial year ended 30 June 2023.

FUTURE DEVELOPMENTS

The likely developments in the operations of the Group and the expected results of those operations in the financial years subsequent to the year ended 30 June 2023 are included in the Chairman's Report set out on pages 1 to 3 and in the Review of Operations, which form part of this report.

ENVIRONMENTAL ISSUES

The Group remains committed to:

- the effective management of environmental issues having the potential to impact on its operations; and
- minimising the consumption of resources utilised by its operations.

The Group has otherwise complied with all government legislation and regulations with respect to the disposal of waste and other materials and has not received any notices of breach of environmental laws and/or regulations.

The Group acknowledges the importance of ESG and recognises the critical role the Group plays in shaping a sustainable and inclusive future for both present and future generations. The Group is committed to actively engaging in discussions with its investors, customers, suppliers and other key stakeholders to deepen its understanding of emerging ESG issues, challenges and opportunities to drive positive change and sustainable outcomes.

Environmental

The Group operates from five locations and its leases and government regulations require strict adherence to environmental practices and legislation. The Group undergoes internal and external audits to ensure regulatory compliance is maintained.

Lowering climate change and carbon emissions

The Group is committed to research and development of new technologies to reduce emissions and lower the risk of explosions in underground coal mines such as:

- the Belford Ceramic Filter, tested as one of the most efficient and effective filter in the underground coal market and can be installed on a wide variety of vehicles.
- the Coaltram LHD T3 engines, which have some of the lowest exhaust emissions, with continued enhancements being made to the vehicle; and
- a battery-electric vehicle utilising the latest world-class battery electric technology being developed by a leading electrical engineering company in NSW.

The Group is committed to continually reducing its energy consumption and greenhouse gas emissions by:

- using cloud technology for our information and platform services, where practical, which provides innovative solutions to reducing carbon emissions and energy consumption;
- partnering with suppliers who are carbon neutral, such as Microsoft, who has been carbon neutral since 2012 and has committed to becoming carbon negative by 2030;
- continuing to hold virtual meetings, where practical and possible; and
- when travel is necessary, the Group strives to combine meetings and extend the time away so that more can be achieved to avoid multiple trips.

Waste Management

The Group is committed to further improving our recycling methods by:

- recycling paper, cardboard, glass, hard plastics, aluminium, tin cans and other materials;
- recycling IT equipment and printer cartridges using recycling companies that seek to recycle responsibly; and
- re-using IT equipment and parts, where possible.

Social

The Group seeks to attract, employ and retain people with a diverse background of culture, gender and experience. Our objective is to continue to promote equal employment opportunities and reward our staff appropriately.

Governance

The Directors are committed to the principles underpinning good corporate governance applied in a manner which is most suited to the Group, and to best addressing the Directors' accountability to Shareholders and other stakeholders. This is supported by an overriding organisation-wide commitment to the highest standards of legislative compliance and financial and ethical behaviour.

Due to the size of the Group and the number of Directors, the Board does not have formal audit, risk or remuneration Committees. The full Board maintains responsibility for the integrity of corporate and financial reports, identification and management of risks and the composition of the Board members to ensure the appropriate skills are maintained to meet the Group's needs.

DIRECTORS SHAREHOLDINGS

The number of ordinary shares in PPKMEG that the Directors have a relevant interest in as at 30 June 2023 are set out below:

Director	Share Balance at Start of Year	Shares Acquired	Shares Sold	Shares with relevant interest at the End of the Financial Year
Non-Executive				
Robin Levison	4,050,153	-	-	4,050,153
Simon Napoli	3,614,038	3,139,940	-	6,753,978
Executive				
Dale McNamara	3,443,332	-	-	3,443,332
Total	**11,107,523**	**3,139,940**	**-**	**14,247,463**

OPTIONS AND UNISSUED SHARES

There were no options issued or unissued shares during the financial period.

PROCEEDINGS ON BEHALF OF THE COMPANY

As previously disclosed, PPKMEG and PPK Group Limited continue to defend a claim in the Supreme Court of NSW in relation to a dispute pertaining to the vesting conditions of a business acquired in 2014. PPK Group Limited continues to retain primary carriage of that matter.

In addition, PPK Mining Equipment Pty Ltd has been named as a defendant in the Supreme Court of Queensland in relation to an incident involving a grader at the Moranbah North Mine operated by Anglo American. The incident resulted in the death of an Anglo American employee and alleged stress related disorders to another in 2019. In addition to PPKME, the claims have been lodged against the plaintiffs' then-employer Anglo American, as well as Diversified Mining Services the supplier of the grader. The claim is being managed by the Group's insurers and we have incurred and accounted for all related excesses. As such, we do not expect to incur any further financial or monetary loss in relation to this claim.

No other matter or circumstance has arisen which is not otherwise dealt with in this Annual Report that has significantly affected or may significantly affect the operations, the results of those operations or state of affairs of the consolidated entity in subsequent years.

DIRECTOR'S MEETINGS

The number of Director's meetings and number of meetings attended by each of the Directors of the Company during the year ended 30 June 2023 are set out in the table below:

Directors	No. of meetings eligible to attend	No. of meetings attended
Robin Levison (Chair)	10	10
Dale McNamara	10	10
Simon Napoli	10	10

DIRECTORS' INDEMNIFICATION

During or since the end of the financial year, the Company has given an indemnity or entered into an agreement to indemnify, or paid or agreed to pay insurance premiums.

Each of the Directors, the Company Secretaries and other Executive Officers of the Group have entered into a deed whereby the company has provided certain contractual rights of access to books and records of the Group to those Directors, the Company Secretaries and other Executive Officers.

The contract of insurance prohibits the disclosure of the nature of the liabilities covered and the amount of the premium paid. The *Corporations Act 2001* does not require disclosure of the information in these circumstances. No Directors, Company Secretaries or other Executive Officers have sought leave under Section 237 of the Corporations Act.

AUDITOR'S INDEMNIFICATION

To the extent provided by law, PPKMEG has agreed to indemnify its auditors, Ernst & Young Australia, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young Australia during or since the financial year.

NON-AUDIT SERVICES

Non-audit services provided by the Group's auditor, Ernst & Young Australia, in the current financial year and prior financial year included taxation advice to the Group. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of each type of non-audit service to the Group means that auditor independence was not compromised.

During the year, the following fees were paid or payable for non-audit services provided by the auditor of the Group and its related practices:

	2023	2022
Taxation advice	12	-
Total remuneration	12	-

AUDIT INDEPENDENCE

The lead auditor has provided the Auditor's Independence Declaration under section 307C of the Corporations Act *2001* (Cth) for the year ended 30 June 2023 and a copy of this declaration forms part of the Directors' Report.

ROUNDING OF ACCOUNTS

The amounts contained in the financial report have been rounded to the nearest $1,000 (where rounding is applicable), where noted ($000) under the option available to the Company under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The Company is an entity to which this legislative instrument applies.

Signed in accordance with a resolution of the Board of Directors.

ROBIN LEVISON
Chairman

DALE MCNAMARA
Executive Director

Dated this 6th day of October 2023

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Auditor's independence declaration to the directors of PPK Mining Equipment Group Limited

As lead auditor for the audit of the financial report of PPK Mining Equipment Group Limited for the financial year ended 30 June 2023, I declare to the best of my knowledge and belief, there have been:

a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit;

b. No contraventions of any applicable code of professional conduct in relation to the audit; and

c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.

This declaration is in respect of PPK Mining Equipment Group Limited and the entities it controlled during the financial year.

Ernst & Young

Brad Tozer
Partner
6 October 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2023

		Consolidated Entity	
		2023	**2022**
	Notes	**$000**	**$000**
Revenue from contracts with customers	3	60,423	36,675
Rental income	3	2,091	1,184
Other income		121	12
Total revenue and other income		62,635	37,871
Expenses			
Cost of sales	3	(47,871)	(28,539)
Employee expenses		(4,463)	(2,899)
Administration expenses		(4,371)	(2,333)
Short-term leases		(589)	(318)
Gain from business combinations		1,207	-
Reversal/(Impairment) of impairment of assets		-	(2,127)
Depreciation	15.1	(3,283)	(2,588)
Interest expense		(1,241)	(101)
Total expenses		(60,611)	(38,905)
PROFIT (LOSS) BEFORE INCOME TAX EXPENSE		2,024	(1,034)
Income tax benefit attributable to profit	6	600	-
PROFIT (LOSS) AFTER INCOME TAX EXPENSE		2,624	(1,034)
OTHER COMPREHENSIVE INCOME			
Items that may be re-classified to profit or loss		-	-
OTHER COMPREHENSIVE INCOME (LOSS) NET OF INCOME TAX		-	-
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR		2,624	(1,034)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2023

	Notes	2023 $000	2022 $000
CURRENT ASSETS			
Cash and cash equivalents	10	8	386
Trade and other receivables	11	8,436	5,682
Contract assets	12	2,869	1,166
Inventories	13	18,605	13,590
Other financial assets	14	1,252	-
Other current assets		577	499
TOTAL CURRENT ASSETS		31,747	21,323
NON-CURRENT ASSETS			
Property, plant and equipment	15	5,116	3,577
Right-of-use assets	16	6,663	436
Intangible assets	17	2,184	210
Other financial assets	14	1,703	-
Deferred tax assets	6	443	-
TOTAL NON-CURRENT ASSETS		16,109	4,223
TOTAL ASSETS		47,856	25,546
CURRENT LIABILITIES			
Trade and other payables	18	10,115	5,599
Provisions	19	2,620	1,750
Lease and other liabilities	22	1,715	300
Provisions for tax	6	66	-
Interest bearing loans and borrowings	21	1,218	-
TOTAL CURRENT LIABILITIES		15,734	7,649
NON-CURRENT LIABILITIES			
Provisions	19	442	260
Lease liabilities	22	5,120	21
Interest bearing loans and borrowings	21	8,800	2,000
TOTAL NON-CURRENT LIABILITIES		14,362	2,281
TOTAL LIABILITIES		30,096	9,930
NET ASSETS		17,760	15,616
EQUITY			
Contributed equity	23	18,381	18,861
Reserves	24	-	-
Retained earnings (accumulated losses)		(621)	(3,245)
TOTAL EQUITY		17,760	15,616

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2023

		Consolidated Entity	
		2023	2022
	Notes	$000	$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		64,883	41,688
Cash payments to suppliers and employees		(60,561)	(37,036)
Interest received		28	-
Interest paid		(1,251)	(101)
Net cash provided by operating activities	5.1	3,099	4,551
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for purchases of plant and equipment	15	(833)	(115)
Proceeds from sale of property		162	-
Payments for development expenditures and intangibles	17	-	(1,026)
Payment for business acquisition		(9,200)	-
Transaction costs related to acquisition		(157)	-
Proceeds from other financial assets		238	-
Net cash used in investing activities		(9,790)	(1,141)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from other borrowings		18,600	-
Repayment of other borrowings		(10,600)	(2,649)
Finance Costs		(79)	-
Principal payment for lease liabilities		(1,571)	(1,807)
Payment for treasury shares		(480)	-
Net cash provided by (used in) financing activities		5,870	(4,456)
Net decrease in cash held		(822)	(1,046)
Cash at the beginning of the financial year		(501)	545
Cash at the end of the financial year (net of overdraft)	5.2	(1,323)	(501)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2023

	Notes	Issued Capital (Note 23) $000	Accumulated Losses $000	Reserves (Note 24) $000	Revaluation Reserve $000	Total Equity $000
CONSOLIDATED ENTITY						
At 1 July 2022		18,861	(3,245)	-	-	15,616
Total comprehensive income (loss) for the year						
Profit (loss) for the year		-	2,624	-	-	2,624
Total comprehensive income (loss) for the year		-	2,624	-	-	2,624
Purchase of Shares Held for LTIP & ESS	23.1	(480)	-			(480)
At 30 June 2023		18,381	(621)	-	-	17,760

FOR THE YEAR ENDED 30 JUNE 2022

	Notes	Issued Capital (Note 23) $000	Accumulated Losses $000	Reserves (Note 24) $000	Revaluation Reserve $000	Total Equity $000
CONSOLIDATED ENTITY						
At 1 July 2021		14	(2,561)	129	350	(2,068)
Total comprehensive income (loss) for the year						
Profit (loss) for the year		-	(1,034)	-	-	(1,034)
Total comprehensive income (loss) for the year		-	(1,034)	-	-	(1,034)
Conversion of loan owing to PPK to equity	23.1	18,847	-			18,847
Unwinding of revaluation reserve on demerger	24.2	-	350	-	(350)	-
Issue of share capital by PPK for LTI Plan	23.1	-	-	(129)	-	(129)
At 30 June 2022		18,861	(3,245)	-	-	15,616

The accompanying notes form part of these financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 CORPORATE INFORMATION

The financial statements of consolidated entity, being PPK Mining Equipment Group Limited ("PPKMEG") and its 100% owned subsidiaries (the "Group") for the year ended 30 June 2023 were authorised for issue in accordance with a resolution of the Directors on 04 October 2023 and covers PPK Mining Equipment Group Limited and its 100% owned subsidiaries as required by the Corporation Act *2001*.

PPKMEG is a for-profit company limited by shares, incorporated and domiciled in Australia. PPKMEG is registered in Queensland and has its head office at Level 13, 120 Edward Street, Brisbane, Queensland, 4000.

Separate financial statements for PPKMEG as an individual entity are not required to be presented, however, limited financial information for PPKMEG is provided as an individual entity in Note 10.

PPKMEG has been in operation for more than eleven years and is a key provider of mining equipment and services in the Hunter Valley, Illawarra and Central Queensland underground coal mines.

The nature of the Group's principal activities are the overhaul, servicing and parts sales from its three major workshops in Tomago, Port Kembla and Emerald, as well as the manufacture and sale of small mining equipment (under the internationally known brands of Rambor and Firefly) into NSW, Queensland and the wider international underground coal markets. This includes the manufacture, sale of and servicing of the Jug-A-0, Brumby utility vehicle and the CoalTram LHD, the only Tier 3 certified electronic engine management system in the underground coal market, first launched in 2009.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation and Statement of Compliance

The consolidated general purpose financial statements of the Group have been prepared in accordance with the requirements of the Corporations Act *2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. Compliance with Australian Accounting Standards results in full compliance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

There was no impact on the recognition and measurement of amounts recognised in the statements of financial position, profit and loss and other comprehensive income and cashflows of PPKMEG as a result of the change in the basis of preparation. The end of PPKMEG's first Australian Accounting Standards reporting period is 30 June 2023, therefore, its date of transition to Australian Accounting Standards is the beginning of business on 1 July 2022.

The financial statements have been prepared on an accruals basis and are based on historical costs. The accounting policies have been consistently applied to the entities of the consolidated entity unless otherwise stated.

PPKMEG is a type of company referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and therefore, amounts in the financial statements and Directors' report have been rounded to the nearest thousand dollars, or in certain cases, to the nearest dollar.

2.2 New and revised standards that are effective for these financial statements

There were no other first time standards and amendments effective for the financial period ended 30 June 2023 that are material to the Company. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

AASB 2020-3 Amendments to AASB 3 – Reference to the Conceptual Framework

When the revised Conceptual Framework was issued in 2018, its application to AASB 3 was excluded requiring entities to apply the definitions of an asset and liability (and supporting concepts) in the previous Framework. In some cases, the revised definitions might change which assets and liabilities qualify for recognition in a business combination. As a consequence, post-acquisition accounting required by other standards could lead to immediate derecognition or such assets or liabilities, causing "day 2 gains or losses" to arise, which did not depict economic reality.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The IASB has assessed the impact of the revised definitions of assets and liabilities in the Conceptual Framework to business combinations, concluding that the problem of day 2 gains or losses would be significant only for liabilities that an acquirer accounts for after acquisition by applying IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies. The IASB updated IFRS 3 in May 2020 for the revised definitions of an asset and liability and excluded the application of the Conceptual Framework to liabilities and contingent liabilities within the scope of IAS 37 or IFRIV 21. The AASB released the equivalent amendments to AASB 3 in June 2020. When the amendments are first adopted for the year ended 30 June 2023, the amendments are not expected to have a material impact on the financial statements.

IAS 16 Amendment to Property, Plant and Equipment: Proceeds before Intended Use

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss. An entity applies this amendment for annual reporting periods beginning on or after 1 July 2022 and the amendment is applied retrospectively but only to items of property, plant and equipment that are "ready to use" from the date of application.

AASB 2021-2 Amendments to AASB 7, AASB 101, AASB 134 Interim Financial Reporting and AASB Practice Statement 2 Making Materiality Judgements – Disclosure of Accounting Policies

The amendments to AASB 101 Presentation of Financial Statements require disclosure of "material" accounting policy information, instead of "significant" accounting policies. Unlike material, significant is not defined in Australian Accounting Standards and leveraging the existing definition of material, with additional guidance, is expected to help preparers make more effective accounting policy disclosures. The guidance illustrates circumstances where an entity is likely to consider accounting policy information to be material and entity-specific accounting policy information is emphasised as being more useful than generic information or summaries of the requirements of Australian Accounting Standards. The amendments to AASB Practice Statement 2 supplement the amendments to AASB 101 by illustrating how the four-step materiality process can identify material accounting policy information. When the amendment is first adopted for the year ended 30 June 2024, the amendment is not expected to have a material impact on the financial statements.

AASB 2021-2 Amendments to AASB 108 – Definition of Accounting Estimates

An accounting policy may require items in the financial statements to be measured using information either directly observable or estimated. Accounting estimates use inputs and measurement techniques that require judgement and assumptions based on the latest available reliable information. The amendments to AASB 108 clarify the definition of an accounting estimate, making it easier to differentiate it from an accounting policy. The distinction, if necessary, as their treatment and disclosure requirements are different. Critically, a change of an accounting estimate is applied prospectively whereas a change in accounting policy is applied retrospectively.

The new definition provides that "Accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty". The amendments explain that a change in an input or a measurement technique used to develop an accounting estimate is considered a change in an accounting estimate unless it is correcting a prior period error. When the amendments are first adopted for the year ended 30 June 2024, the amendments are not expected to have a material impact on the financial statements.

AASB 2021-5 Amendments to AAS – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendment requires entities to account for income tax consequences when economic transactions take place, rather than when income tax payments or recoveries are made. Accounting for such tax consequences means entities need to consider the differences between tax rules and accounting standards. Deferred taxes representing amounts of income tax payable or recoverable must be recognised on temporary differences unless specifically prohibited by AASB 112. An entity applies this amendment for annual reporting periods beginning on or after 1 July 2023 and applies the amendment from the beginning of the earliest comparative period presented for all transactions occurring on or after that date and for deferred tax balances arising from leases and decommissioning, restoration and similar liabilities existing at that date. The cumulative effect of initial application is recognised as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate. When the amendment is first adopted for the year ended 30 June 2024, the amendment is not expected to have a material impact on the financial statements.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

AASB 2020 – Amendments to AAS – Classification of Liabilities as Current or Non-current

A liability is classified as current if the entity has no right at the end of the reporting period to defer settlement for at least 12 months after the reporting period. The AASB recently issued amendments to AASB 101 to clarify the requirements for classifying liabilities as current or non-current, specifically:

- the amendments specify that the conditions which exist at the end of the reporting period are those which will be used to determine if a right to defer settlement exists.
- management intention or expectation does not affect the classification of liabilities.
- in cases where an instrument with a conversion option is classified as a liability, the transfer of equity instruments would constitute settlement of the liability for the purpose of classifying it as current or non-current.

A consequence of the first amendment is that a liability would be classified as current if its repayment conditions failed their test at reporting date, despite those conditions only becoming effective in the 12 months after the end of the reporting period.

The AASB has proposed further amendments:

- specifying that conditions with which an entity must comply after the reporting period do not affect the classification at the reporting date;
- adding presentation and disclosure requirements for non-current liabilities subject to conditions in the next 12 months;
- clarifying specific situations in which an entity does not have a right to defer settlement for at least 12 months after the reporting date; and
- deferring the effective date of the original amendments to no earlier than 1 July 2024.

The amendments are applied retrospectively and early adoption is permitted. When the amendments are first adopted for the year ended 30 June 2025 or earlier, the amendments are not expected to have a material impact on the financial statements.

AASB 2014-10 Amendments to AAS – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address a current inconsistency between AASB 10 Consolidated Financial Statements and AASB 128 Investments in Associates or Joint Ventures. The amendments clarify that, on a sale or contribution of assets to a joint venture or associate or on loss of control or significant influence is retained in a transaction involving an associate or joint venture, any gain or loss recognised will depend on whether the assets or subsidiary constitutes a business, whereas gain or loss attributable to other investors' interests is recognised when the assets or subsidiary do not constitute a business.

This amendment effectively introduces an exception to the general requirement in AASB 10 to recognise full gain or loss on the loss of control over a subsidiary. The exception only applies to the loss of control over a subsidiary that does not contain a business, if the loss of control is the result of a transaction involve an associate or a joint venture that is accounted for using the equity method. Corresponding amendments have also been made to AASB 128.

When the amendments are first adopted for the year ended 30 June 2026, the amendments are not expected to have a material impact on the financial statements.

2.3 Basis of consolidation

The Group financial statements consolidate those of PPKMEG and all of the entities that it controls on 30 June each year. PPKMEG controls an entity if it is exposed, or has rights, to variable returns from its involvement with the entity and could affect those returns through its power over the entity. Potential voting rights that are substantive, whether or not they are exercisable or convertible, are considered when assessing control. All entities have a reporting date of 30 June.

All intercompany balances and transactions, including unrealised profits arising from intergroup transactions have been eliminated on consolidation. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective.

Profit or loss and other comprehensive income of entities acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

2.4 Business combination

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of an entity is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. When a business combination arises and no consideration is paid, the fair value of the Group's investment prior to acquisition is used in lieu of consideration paid. Acquisition costs are expensed as incurred.

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values unless otherwise required by the relevant accounting standard. Where there is no consideration transferred, the Group attributes to the owners of the acquiree the amount of the acquiree's net assets recognised in accordance with the relevant accounting standard.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of: (a) fair value of consideration transferred, (b) the recognised amount of any non-controlling interest in the acquiree, and (c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognised in profit or loss immediately.

2.5 Foreign currency translation

The consolidated financial statements are presented in Australian Dollars ($AUD), which is also the functional currency of PPKMEG and all subsidiaries, associates and joint ventures.

Foreign currency transactions during the period are converted to Australian currency at rates of exchange applicable at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses, whether realised or unrealised, resulting from the settlement of such transactions, amounts receivable and payable in foreign currency at the reporting date, and from the re-measurement of monetary items at year end exchange rates are recognised in profit or loss.

Non-monetary items are not retranslated at year end and are measured at historical cost (translated using the exchange rate at the date of the transaction), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

2.6 Revenue and revenue recognition

Revenue arises mainly from the:

- sale of manufactured non-mining products; and
- sale, service, support and rental of underground coal mining vehicles, equipment and parts.

To determine whether to recognise revenue, the Group follows a 5 step process:

1. Identifying the contract with a customer;
2. Identifying the performance obligation;
3. Determining the transaction price;
4. Allocating the transaction price to the performance obligations; and
5. Recognising revenue when/as performance obligations are satisfied.

Revenue is recognised, based on the transaction price allocated to the performance obligation, after consideration of the terms of the contract and customary business practices.

The transaction price is the amount of the consideration that the Group expects to be entitled to receive in exchange for transferring the promised goods or services to a customer, excluding amounts collected on behalf of third parties (ie sales taxes and duties). The consideration promised in a contract with a customer may include fixed amounts, variable amounts or both.

The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of manufactured non-mining products, mining equipment, spare parts or any machine built for inventory purposes are recognised at a point in time, in most cases when they leave the warehouse and control has passed to the buyer. Revenue is measured at the fair value of consideration received or receivable, net of returns, trade allowances and duties and taxes paid.

Rendering of Services

Performance obligations for the repair and maintenance of underground coal mining vehicles and equipment are satisfied over time and the Group recognises the revenue over time for one of the following reasons:

- the Group's performance creates or enhances an asset (ie work in progress) that the customer controls as the asset is created or enhanced or;
- the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

In almost all cases, the asset that is being created or enhanced is owned by the customer and the Group only performs repair and maintenance on the asset. At contract inception, it is determined that the customer has contractual ownership of the asset and the Group has an enforceable right to payment for performance completed to date. The transaction price is determined by customary business practices, generally a signed purchase order from the customer, which identifies the consideration the Group expects to be entitled in exchange for transferring the promised goods or services to the customer. The transaction price is the stand-alone selling price at contract inception.

For each performance obligation satisfied over time, the Group recognises revenue over time by measuring the progress towards complete satisfaction of the performance obligation. The Group uses the cost-based input method to determine satisfaction of the performance obligation by measuring the labour hours expended, the cost of materials consumed and other costs incurred relative to the total expected costs to be incurred at the contract inception to satisfy the performance obligation to determine the percentage of completion. The Group then applies the percentage of completion to the total transaction price to calculate the percentage of revenue to be recognised at a point in time. On a monthly basis, the Group remeasures its progress towards complete satisfaction of a performance obligation over time.

In almost all cases, the performance obligation is satisfied within one to two months of contract inception.

Lease Income on operating leases

Lease income on mining equipment is accounted for on a straight-line basis over the term of the lease agreement and is included in revenue in the statement of profit or loss due to its operating nature.

Interest income

Revenue is recognised as it accrues using the effective interest rate method. The effective interest method uses the effective interest rate which is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial asset.

2.7 Operating expenses

Operating expenses are recognised in the profit or loss upon utilisation of the services or at the date of their origin.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Share-based payments

All goods and services received in exchange for the grant of any share-based payment were measured at their fair values. Where directors and employees were rewarded using share right-based payments, the cost of directors' and employees' services was determined by the fair value at the date when the grant was made using an appropriate valuation model and revalued when modified. Market performance conditions and service conditions were reflected within the grant date fair value.

All share-based remuneration is ultimately recognised in employee benefits expense with a corresponding credit to share rights reserve. If vesting periods or other vesting conditions apply, the expense was allocated over the vesting period, based on best available estimate of the number of share rights expected to vest.

Non-market vesting conditions were included in assumptions about the number of share rights that were expected to become exercisable. Estimates were revised if there was any indication that the number of share rights expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting were recognised in the current period. No adjustment was made to any expense recognised in prior periods if share rights ultimately exercised were different to that estimated on vesting.

When the terms of an equity-settled award are modified, the minimum expense recognised was the grant date fair value of the unmodified award, provided the original vesting terms of the award are met. An additional expense, measured as at the date of modification, was recognised for any modification that increased the total fair value of the share-based payment transaction, or was otherwise beneficial to the employee. Where an award was cancelled by the entity or by the counterparty, any remaining element of the fair value of the award was expensed immediately through profit or loss.

2.9 Finance costs

All borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period that is necessary to complete and prepare the asset for its intended use or sale. Other finance and borrowing costs are expensed in the period in which they are incurred and reported in finance costs.

2.10 Cash

For the purposes of the statement of cash flows, cash includes cash on hand, and at call deposits with banks or financial institutions that have a maturity of no more than three months, net of bank overdrafts as they are considered an integral part of the Group's cash management.

2.11 Trade receivables and other receivables

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through the profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

For trade receivables and contract assets, the Group applies a simplified approach to calculating ECLs. The Group recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

2.12 Contract assets

The costs incurred to fulfil a contract with a customer were recognised when:

- the costs related directly to a contract or an anticipated contract that the Group could specifically identify;
- the costs generated or enhanced resources of the Group that would be used in satisfying (or in continuing to satisfy) performance obligations of the future; and
- the costs were expected to be recovered.

The revenue for these costs will be recognised in rendering of services (see Note 2.6).

The Group makes use of a simplified approach in accounting for trade and other receivables as well as lease receivables and contract assets and records the loss allowance at the amount equal to the expected lifetime credit losses. In using this practical expedient, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

2.13 Inventories

Inventories included raw materials, work in progress and finished goods and were stated at the lower of cost and net realisable value. Costs comprised all direct materials, direct labour and an appropriate portion of variable and fixed overheads. Fixed overheads were allocated based on normal operating capacity. Costs were assigned to inventory using an actual costing system. Net realisable value was the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses.

2.14 Property, plant and equipment

Land and buildings are brought to account at cost less, where applicable, any accumulated depreciation. After initial recognition, land and buildings are measured at fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Plant and equipment are brought to account at cost less, where applicable, any accumulated depreciation or amortisation and impairment. The cost of fixed assets constructed within the Group includes the cost of materials used in construction, direct labour and an appropriate proportion of fixed and variable overheads.

The depreciable amount of all fixed assets, including buildings and capitalised leased assets but excluding freehold land, is depreciated over their useful lives to the consolidated entity commencing from the time the asset is held ready for use. Leasehold improvements are amortised over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

Class of Fixed Asset	Depreciation Rate
Buildings	2.5 %
Leasehold Improvements	over the term of the lease
Plant & Equipment	10-50 %

The gain or loss on disposal of all fixed assets is determined as the difference between the carrying amount of the asset at the time of disposal and the proceeds of disposal and is included in the profit before income tax of the consolidated entity in the year of disposal.

2.15 Intangible assets

Research and Development

Research is recognised as an expense as incurred. Costs incurred on development (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will, after considering its commercial and technical feasibility, be completed and generate future economic benefits and its costs can be measured reliably. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Capitalised development costs are recorded as intangible assets at cost less any accumulated amortisation and impairment losses and amortised over the period of expected future sales from the related projects which vary from five to seven years. The carrying value of development costs is tested annually for impairment when the asset is not yet ready for use, or when events or circumstances indicate that the carrying value may be impaired.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intellectual Property

Intellectual Property is recognised when it is probable that it will generate future economic benefits and its costs can be measured reliably. Intellectual Property has a finite useful life and is carried at cost less accumulated amortisation and impairment losses. The asset is tested annually for impairment, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

2.16 Financial instruments

Initial recognition and measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

The Group's investments are at fair value through profit and loss.

i) Financial assets

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss. Financial assets are classified according to the characteristics of their contractual cash flow and the Group's business model for managing them. Except for those trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do contain a significant financing component for which the Group has applied the practical expedient are measured at the transaction price as disclosed in Note 2.11.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are "solely payments of principal and interest (SPPI)" on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit and loss ("FVTPL)", irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date (i.e. the date that the Group commits to purchase or sell the asset).

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through the OCI with no recycling of cumulative gains or losses upon derecognition (equity instruments)
- Financial assets at FVTPL

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised. The Group's financial assets at amortised cost includes trade receivables.

Financial assets fair value through OCI (debt instruments)

For debt instruments at fair value through OCI, interest income, impairment losses or reversals are recognised in the statement of profit and loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition the cumulative fair value change recognised in OCI is recycled to profit or loss. The Group has no debt instruments at fair value through OCI.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value though OCI when they meet the definition of equity under AASB 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefit from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment. The Group has no equity instruments at fair value through OCI.

Financial assets at FVTPL

Financial assets at FVTPL are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit and loss.

This category includes derivative instruments, listed and unlisted equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on equity investments are recognised as other income in the statement of profit or loss when the right of payment has been established.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group similar financial assets) is primarily derecognised (i.e. removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement, and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all of the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a "pass-through" arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment

Further disclosures relating to impairment of financial assets are also provided in Note 2.23.

ii) Financial liabilities

Initial measurement and recognition

Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, loans and borrowings, payables, or as derivatives as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

Subsequent measurement

For the purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at FVTPL
- Financial liabilities at amortised cost (loans and borrowings)

Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated up initial recognition as FVTPL. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are designated as hedging instruments in hedge relationships as defined by AASB 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. Financial liabilities designated upon initial recognition at FVTPL are designated at the initial date of recognition, and only if the criteria in AASB 9 are satisfied.

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by considering any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a current enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

2.17 Trade and other payables

These amounts represent unpaid liabilities for goods received and services provided to the Group prior to the end of the financial year. The amounts are unsecured and are normally settled within 30 to 60 days, except for imported items for which 90 or 120 day payment terms are normally available.

2.18 Borrowings

All loans and borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the profit or loss statement over the period of the loans and borrowings using the effective interest method. Bank loans are subject to set-off arrangements.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 Employee benefit provisions

Salary, wages and annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled are recognised in other liabilities or provision for employee benefits in respect of employees' services rendered up to the end of the reporting period and are measured at amounts expected to be paid when the liabilities are settled.

Long service leave

Liabilities for long service leave are recognised as part of the provision for employee benefits and measure as the present value of expected future payments to be made in respect of services provided by employees to the end of the reporting period using the projected unit credit method. Consideration is given to expected future salaries and wages levels, experience of employee departures and period of service. Expected future payments are discounted using high quality corporate bond rates at the end of the reporting period with terms to maturity that match as close as possible, the estimated future cash outflows.

Retirement benefit obligations

The Group contributes to defined contribution superannuation funds for employees. All funds are accumulation plans where the Group contributed various percentages of employee gross incomes, the majority of which were as determined by the superannuation guarantee legislation. Benefits provided are based on accumulated contributions and earnings for each employee. There is no legally enforceable obligation on the Group to contribute to the superannuation plans other than requirements under the superannuation guarantee legislation. Contributions are recognised as expenses as they become payable.

2.20 Income tax

The income tax expense for the period is the tax payable on the current period's taxable income based on the notional income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets are only recognised for deductible temporary differences, between carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases, at the tax rates expected to apply when the assets are recovered or liabilities settled, based on those tax rates which are enacted or substantially enacted for each jurisdiction. Exceptions are made for certain temporary differences arising on initial recognition of an asset or liability if they arose in a transaction other than a business combination that at the time of the transaction did not affect either accounting profit or taxable profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax assets are only recognised for deductible temporary differences and unused tax losses if there is reasonable certainty that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are not recognised for temporary differences between the carrying amount and tax bases of investments in subsidiaries, associates and interests in joint ventures where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future. Current and deferred tax balances relating to amounts recognised directly in other comprehensive income or equity are also recognised directly in other comprehensive income or equity.

PPKMEG and its wholly owned Australian subsidiaries have implemented the tax consolidation legislation and entered into a tax funding agreement and a tax sharing agreement effective from 29 June 2022, where each subsidiary will compensate PPKMEG for the amount of tax payable that would be calculated as if the subsidiary was a tax paying entity. PPKMEG is the head entity in the tax consolidated group.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The separate taxpayer within a group approach has been used to allocate current income tax expense and deferred tax expense to wholly owned subsidiaries that form part of the tax consolidated group. PPKMEG has assumed all the current tax liabilities and the deferred tax assets arising from unused tax losses for the tax consolidated group via intercompany receivables and payables because a tax funding arrangement has been in place effective from 29 June 2022. The amounts receivable/payable under tax funding arrangements are due upon notification by the head entity. Interim funding notices may also be issued by the head entity to its wholly owned subsidiaries in order for the head entity to be able to pay tax instalments.

2.21 Dividends

Provision is made for dividends declared, and no longer at the discretion of the Group, on or before the end of the financial year, but not distributed at the end of the reporting period.

2.22 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identifiable asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

2.22.1 Right-of-use assets

In the previous year, the Group recognised right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets were measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Buildings	< 1 year
Plant and equipment	< 1 year

If ownership of the leased asset transfer to the Group at the end of the lease term or the costs reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

2.22.2 Lease liabilities

At the commencement date of the lease, the Group recognised lease liabilities measured at the present value of the lease payments to be made over the lease term. The lease payments included fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depended on an index or rate, and amounts expected to be paid under residual lease guarantees. The lease payments also included the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that did not depend on an index or a rate were recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group used its incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease was not readily determinable. After the commencement date, the amount of lease liabilities was increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (i.e. changes to future payments resulting from a change in an index or rate to be used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

2.22.3 Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of buildings (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expenses on a straight-line basis over the lease term.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.22.4 Group as lessor

Leases in which the group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the consolidated statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Variable lease payments are recognised as revenue in the period in which they are earned.

When assets are leased out under finance leases, the present value of the lease payments is recognised as a lease receivable. Any difference between the present value of the lease receivable and the asset derecognised is recorded in the profit and loss. Interest income is recognised as the discount unwinds.

2.23 Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities in future periods.

Significant Management Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements.

Determining the lease term of contracts with renewal and termination options – Group as lessee

The Group determined the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not be exercised.

The Group has the option, under the property leases, to lease the assets for an additional term of five years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew.
That is, it considers all the relevant factors that create an economic incentive for it to exercise the renewal and reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (i.e. change in business strategy). The Group did not include the renewal period as part of the lease term.

The renewal option for leases of motor vehicles is not included as part of the lease term because the Group typically leases motor vehicles for not more than four years, hence it is not exercising any renewal periods. The renewal option for leases of forklifts is not included as part of the lease term because the Group typically does not exercise any renewal periods.

Recognition of fixed contract revenues

Recognising the stage of completion for fixed price contracts and applicable work in progress requires significant judgement in determining the actual work completed and the estimated amount of labour and materials required to complete the work.

Impairment of raw materials and finished goods– prior period judgements

Management has used significant judgement to determine the net realisable value, based on the most reliable evidence available at the time the estimates are made, of the amount that inventories are expected to realise and the estimate of costs to complete. The net realisable value is based on management's analysis of stock movements for all individual stock items:

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

For LHD and utility machines, including Coaltrams, Jug-A-0s and Driftrunners, heavy machinery, pneumatic, hydraulic and small mining equipment parts there is a four step process:

- Management reviews the stock items which had no sales during the year and:
- Provides for 50% of the inventory value as impaired for those stock items which have no sales for more 1 year; and
- Provides for 100% of the inventory value as impaired for those stock items which have no sales for more than 3 years.
- Management then reviews the remainder of the stock items and, for those which management consider to be slow moving:
  - Provides for 50% of the inventory value as impaired for those stock items with stock holdings of 1 to 2 years;
  - Provides for 75% of the inventory value as impaired for those stock items with stock holdings of 2 to 3 years;
  - Provides for 100% of the inventory value as impaired for those stock items with stock holdings of more than 3 years;

- Management then reviews the remainder of the stock items, forecasts future stock sales for the next 1 year and, for those stock items which appear to be in excess of sales, an impairment provision is made using the same formulas as that of slow moving stock.

- Finally, management then performs a review of the remainder of the stock items to determine the net realisable value and, if any additional impairment provisions should be made or if there is a reversal of the impairment provisions made in previous years.

Impairment of work in progress– prior period judgement

Management has used significant judgement to determine the net realisable value, based on the most reliable evidence available at the time the estimates are made, of the amount that work in progress is expected to realise and the estimate of costs to complete.

The net realizable value is based on management’s analysis of work in progress for individual jobs on a three step process:

- Provides for 50% of the work in progress value as impaired for those jobs which have been in progress for more than 6 months;

- Management then performs a review of these jobs to determine if any specific jobs will be completed and total costs will be less than the expected revenue to determine if any jobs should be removed from the impairment provision;

- Reviews individual jobs that are less than 6 months old to determine if they will be completed, total costs will be less than the expected revenue to determine if any additional impairment provision should be made to determine net realisable value.

Impairment of intangibles – development costs– prior period judgement

The Group capitalises costs for product development projects. Initial capitalisation of costs is based on Management’s judgement, after making inquiries from engineers and other qualified professionals that technological and economic feasibility is confirmed. In determining the amounts to be capitalised, Management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and expected period of benefits.

This includes significant investment in the development of new technology and enhancements for the CoalTram and a new battery electric vehicle for transporting personnel (man transporter).

Intangible assets not yet ready for use require an annual impairment test. Management has used significant judgement to determine there was no impairment that occurred after the initial recognition of the intangible asset. Management made this assessment using estimated future cash flows from the investment. Based on the information available to support the estimates made, Management concluded there was no impairment charge of the intangibles at the reporting date (2022: nil).

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-current assets

Management has used significant judgement to evaluate conditions specific to the Group that indicate individual assets may be impaired in relation to property, plant and equipment. Based on the information available to Management, there were no such indicators at the reporting date.

Provision for expected credit losses (ECL) of trade receivables and contract assets– prior period judgement

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of customer segments that have similar risk characteristics (i.e. customer type, probable credit risk, market size). The provision matrix is based on the historical credit loss experience for the customer segments and adjusted for forward-looking information. For example, if forecast economic conditions are expected to deteriorate over the coming year in a specific industry, which could lead to an increased number of defaults, then the historical default rates are adjusted. At every reporting date, the historical credit loss experience is reviewed and updated, if appropriate, and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical credit loss experience, forecast economic conditions and ECLs is a significant estimated. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast economic conditions may also not be representative of customer's actual credit default in the future. Management has considered the possible impacts of the COVID-19 pandemic on the required expected credit loss provisions and determined that no material levels of increased risk are present based on current conditions.

The information about the ECLs on the Group's trade receivables is as follows:

The Group recognised two distinct customer segments:

- those that are major customers, the majority of which are listed public companies of which the Group has a long history of providing goods and services. This customer segment represents 79% of the cash inflows during the ECL review period, with three customers representing 87% of these cash inflows. The historical credit loss experience was determined and there were no historical losses during this period.
- the other customer segment includes smaller listed public companies, large private companies and the remaining customers that the Group provides goods and services. The historical credit loss experience was determined and there were no historical losses during this period.

Management has considered the forward looking macro-economic factors on the required expected credit loss provisions and determined that no material levels of increased risk are present based on current conditions.

Share-based payments

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. The Group has a long term incentive plan called the Executive Rights Plan which is managed by a Trust on behalf of directors, executives and senior managers who are offered Performance Rights, which can be converted to PPKMEG shares on a one-for-one basis subject to meeting the vesting conditions.

Management has reviewed the terms and conditions of each tranche to determine the value of each Right, the service period for which each Right pertained to, the vesting period for each Rights and the period for which the Rights are expensed (Note 2.8).

Tax Losses Carried Forward

Tax losses can be carried forward and deducted from assessable income in later income years provided the Group meets either the continuity of ownership test or the business continuity test. Management uses significant judgement to determine that the tax losses can be carried forward.

Deferred Tax Asset

Deferred tax asset is only recognised to the extent that there is reasonable certainty of realising future taxable amounts sufficient to recover the carrying value. Due to carry forward tax losses and an expectation that the current challenging industry conditions would continue in the short term, the Directors assessed that deferred tax assets would only be recognised to the extent of, and offset against, available deferred tax liabilities.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.24 GST

Revenues and expenses are recognised net of GST except where GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet. Cash flows are included in the cash flow statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

2.25 Going concern

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

On 6 October 2023, being the date of approval of the financial report, the Directors believe it is appropriate to prepare the financial report on a going concern basis. In making this assessment, the Directors have identified and considered (all values exclude subsequently acquired amounts – Note 29) the following at 30 June 2023:

- during the whole of the 2023 financial year, and at all times subsequent, PPKMEG has been able to meets its obligations as and when they fell due. The Working Capital facility of $6.000M will be marginally utilised in the short-term, with operational forecasts indicating the facility will transition to only be used if and when needed.
- The $10.000M facility from a leading Australian bank is being charged interest at the Bank Bill Swap Rate plus 3.85% and is adjusted quarterly for market interest rates. The loan is repayable on a quarterly basis, with the final payment due in May 2028.
- the Group has $8.436M of trade and other receivables;
- the Group has $2.869M of contract assets;
- the Group has $16.013M of working capital – net of overdraft;
- the Group has $17.760M of net assets; and
- the Group has acquired assets from a competitor that the Directors expect to generate higher profits to the Group in future years.

The Directors have formed a view that PPKMEG will continue as a going concern.

NOTE 3 REVENUE AND OTHER OPERATING INCOME AND EXPENSES

3.1 Revenue from contracts with customers

Set out below is the disaggregation of the Group's revenue contracts with customers:

		Consolidated Entity	
		2023	2022
	Notes	$000	$000
Type of goods or services			
Sale of goods		26,250	13,524
Rendering of services		34,173	23,151
Total revenue from contracts with customers		**60,423**	**36,675**
Rental income		2,091	1,184
Total revenue		**62,514**	**37,859**
Timing of revenue recognition			
Goods transferred at a point in time		26,250	13,524
Services rendered over time		36,264	24,335
Total revenue from contracts with customers		**62,514**	**37,859**

3.2 Direct Employee Costs

Expense recognition for employee costs attributable to the revenue from contracts with customers was $13.648M in 2023 (2022: $11.531M). This expense is recognised as cost of sales.

NOTE 4 BUSINESS ACQUISITION

On 15 July 2022, the Group purchased the assets from VLI for $9.200M. The purchase included inventory, plant and equipment, customer lists, intellectual property, equipment leases, property leases, freehold properties and assumed ongoing contracts with customers.

The acquisition provided the Group with two locations in Queensland, strengthened their current operations in both Tomago and Port Kembla and included offering ongoing employment to the employees.

PPKMEG has assessed the purchase of the assets and offer of employment to the employees of the former company as a Business Combination under AASB 3 *Business Combinations* with the effective date of 15 July 2022. The acquisition accounting was finalised for the 30 June 2023 financial year end.

The summarised financial information is provided below:

Summarised Statement of Financial Position	**$000**
Inventory	2,385
Work-in-progress	1,538
Hire equipment	4,757
Plant and equipment	226
Intangible IP acquired	2,200
Land and buildings	242
Total assets purchased	11,348
Employee entitlements	(719)
Deferred tax liability	(222)
Net identifiable assets	10,407
Purchase price	(9,200)
Gain on acquisition	1,207

In July 2022, the purchase of these assets was financed by short-term loans of $8.600M, secured against assets of PPKMEG. All short-term loans were repaid in June 2023 and refinanced with a leading Australian institutional bank. The acquisition of VLI contributed $20.002M in identifiable customer contract revenue during the reporting period which resulted in a $0.840M contribution to profit.

NOTE 5 CASH FLOW INFORMATION

5.1 Reconciliation of profit (loss) after income tax to the cash provided by operating activities

	Notes	Consolidated Entity 2023 $000	2022 $000
Profit (loss) after income tax		2,624	(1,034)
Cash flows in operating activities but not attributable to operating result:			
Amortisation	15.1	261	71
Depreciation	15.1	3,022	2,517
Share based payments expense		-	72
Inventories & WIP acquired through asset acquisition		3,923	-
Employee provisions taken on from asset acquisition		(719)	-
Gain from business combination		(1,207)	-
Costs arising from business combinations		157	-
Amount transferred from inventory to PPE		(34)	-
Impairment of assets		-	2,127
Impairment of intangibles		-	41
Reversal of government grant relating to COVID-19		-	50
Finance Costs on loans		79	-
Interest accrued		18	-
Reversal of tax benefit accrued		(600)	-
Changes in assets and liabilities:			
Decrease (increase) in trade and other receivables		(4,457)	(677)
Decrease (increase) in prepayments		(78)	154
Decrease (increase) in inventories		(5,016)	(134)
(Decrease) increase in provisions		1,052	162
(Decrease) increase in trade creditors and accruals		4,074	1,202
Net cash provided by operating activities		3,099	4,551

5.2 Reconciliation of Cash

	2023 $000	2022 $000
For the purposes of the cash flow statement, cash includes:		
Call deposits with financial institutions	8	-
Overdraft with financial institution	(1,331)	(501)
Net cash at end of financial year (net of overdraft)	(1,323)	**(501)**

NOTE 6 INCOME TAX EXPENSE

	Notes	Consolidated Entity 2023 $000	2022 $000
(a) The prima facie tax payable (benefit) on the profit (loss) before income tax is reconciled to the income tax expense as follows:			
Profit (loss) before tax		2,024	(1,034)
Prima facie tax payable (benefit) at 25.0% (2022: 25.0%)		506	(258)
(Non-assessable income) non-deductible expenses		(248)	-
Current year (profit) losses for which no deferred tax asset was recognised		-	258
Recognition of prior period temporary differences not recognised		(286)	-
Current year temporary differences for which no deferred tax asset or liability was recognised		-	-
Tax payable (benefit) of prior year losses carried forward		-	-
Other		(572)	-
Income tax expense (benefit)		(600)	-
The applicable weighted average effective tax rates are as follows:		-30%	0%

(b) The components of tax expense comprise:		
Current Tax	66	-
Deferred Tax	(666)	-
(Over) under provision in respect of prior years	-	-
Income tax expense (benefit)	(600)	-
(c) Recognised in the Statement of Financial Position		
Deferred Tax Assets – tax losses	-	-
Deferred Tax Assets – temporary differences	2,511	320
Deferred Tax Liabilities – temporary differences	(2,068)	(320)
Total	443	-
(d) Not recognised in the Statement of Financial Position		
Unrecognised deferred tax assets/deferred tax liabilities		
Tax Losses	-	1,194
Temporary Differences	-	210
Total	-	1,404
Movements		
Opening balance	1,404	-
Tax losses not recognised current year	-	1,194
(Over) under provision in respect of prior years	(1,118)	-
Reversal and de-recognition of deferred tax assets and liabilities	(286)	-
Temporary differences not recognised current year	-	210
Adjustment related to transfer of balances from demerger	-	-
Closing balance	-	1,404

NOTE 7 AUDITORS' REMUNERATION

		Consolidated Entity	
		2023	**2022**
	Notes	**$**	**$**
Remuneration of the auditor of the Company for Audit Services:			
Audit Services			
Group audit fee per Financial Statements (including all subsidiaries)		126,772	73,000
Non-audit Services			
Tax compliance services and general taxation advice		11,500	-
Total fees for services provided		**138,272**	**73,000**

NOTE 8 KEY MANAGEMENT PERSONNEL REMUNERATION

		2023	**2022**
	Notes	**$000**	**$000**
8.1 Key management personnel remuneration			
Short-term benefits		320	727
Share-based payments		-	-
Post-employment benefits		24	27
		344	**754**

The above table discloses remuneration of the KMP of PPKMEG, either paid or accrued during the reporting period. The amounts included in 2022, relate to the remunerations paid to Directors or PPK Group Limited, a related party until 31 December 2022, which included their remuneration for PPKMEG for the period from 1 July 2021 to 29 June 2022. Only $150,000 of these fees relating to D McNamara's role as the Executive Director of PPMEG were re-charged to PPKMEG. The amounts included in 2023 comprise solely of the fees directly related to their remuneration as directors of PPKMEG.

During the current financial year, both Robin Levison and Simon Napoli, opted for their fees not to be paid during this period. These fees have been accrued and are included in Trade and other payables at year end.

NOTE 9 PARENT ENTITY INFORMATION

	2023 $000	2022 $000
Current assets	-	-
Non-current assets	15,683	17,137
Total assets	15,683	17,137
Current liabilities	544	254
Non-current liabilities	-	2,000
Total liabilities	544	2,254
Net assets	15,139	14,883
Contributed equity	18,862	18,862
Reserves	-	-
Retained earnings	(3,723)	(3,979)
Total equity	15,139	14,883
Profit (loss) for the year (including impairments)	(256)	(3)
Other comprehensive income (loss) for the year	-	-
Total comprehensive income (loss) for the year	**(256)**	**(3)**

NOTE 10 CASH AND CASH EQUIVALENTS - CURRENT

	2023 $000	2022 $000
Cash at bank and on hand	8	386
Total	**8**	**386**

NOTE 11 TRADE AND OTHER RECEIVABLES - CURRENT

Trade Receivables	8,436	5,682
Total Receivable	**8,436**	**5,682**

Ageing Analysis	Current $000	> 60 days $000	Total $000
Total Receivable	**8,155**	**281**	**8,436**

Current trade receivables are non-interest bearing and are generally 30 to 60 days.

The Group recognises two distinct customer segments:

- those that are major customers, the majority of which are listed public companies, of which the Group has a long history of providing goods and services. This customer segment represents 85% of the cash inflows during the period for which the historical credit loss experience was determined and there were no historical losses during the period

- the other customer segment includes smaller listed public companies, large private companies and all remaining customers the Group provides goods and services. This customer segment represents 15% of the cash inflows during the period for which the historical credit loss experience was determined and there were no historical losses during the period.

A customer default is defined as a customers' failure to pay its debt. The last failure experienced by the Group was in October 2018. At 30 June 2023 it was determined no expected credit loss provision was required.

Total Fees included in Trade and other payables	**120**	**-**

NOTE 12 CONTRACT ASSETS - CURRENT

	2023 $000	2022 $000
Contract assets	**2,869**	**1,166**
Carrying amount at start of year	1,166	1,419
Consideration received for services rendered in the previous period	(1,166)	(1,419)
Revenue recognised for rendering services not yet received	2,869	1,166
Total	**2,869**	**1,166**

See Notes 2.12 and 2.23

NOTE 13 INVENTORIES - CURRENT

	2023 $000	2022 $000
Inventories	**18,605**	**13,590**
At net realisable value:		
Raw Materials	1,177	963
Finished goods	6,425	3,839
Work in progress	11,003	8,788
Total	**18,605**	**13,590**

See Notes 2.13 and 2.23

Expenses incurred for inventories sold was $26.751M in 2023 (2022: $16.172M). This expense is recognised as cost of sales. During the year, the Group reassessed the net realisable carrying value of inventories with consideration to sales growth and product mix demanded by customers. This resulted in the recognition of a $1.003M reversal of inventories (2022: write down $2.127M).

All stock is held at net realisable value as determined per the policy outlined in note 2.23.

NOTE 14 FINANCE LEASES

The Group has an undiscounted, contractual gross investment of $3.370M at the end of the reporting period. The Group applied a discounting rate of 8% to all finance leases, resulting in the present value of all finance leases to be $2.955M at the end of the reporting period. The table below reflects the Group's finance leases over a period of time, where the Group is the lessor:

	Gross amount	<1 year	1 – 5 Years	>5 years	Total Value of Lease Payments
	$000	**$000**	**$000**	**$000**	**$000**
Minimum gross payments receivable on finance leases					
Underground machines	3,370	1,556	1,815	-	**3,370**
Total gross finance leases	**3,370**	**1,556**	**1,815**	**-**	**3,370**
Minimum present value payments receivable on finance leases					
Underground machines	2,955	1,480	1,475	-	**2,955**
Total gross finance leases	**2,955**	**1,480**	**1,475**	**-**	**2,955**

The finance lease over ex-hire underground machines is leased to a longstanding customer under a hire buy agreement, with repayments made monthly, in advance and does not include variable lease payments. The lease is for a term of less than three years and does allow early repayment of part or all lease repayments, at the discretion of the lessee. Upon receipt of the total lease gross value of $3.500M, ownership will transfer to the lessee. To reduce credit risk, the Group retains legal title of all leased equipment until all repayments are received.

NOTE 15 PROPERTY, PLANT AND EQUIPMENT – NON-CURRENT

	2023 $000	2022 $000
Land and buildings	1,579	1,500
Less: accumulated depreciation	(134)	(101)
	1,445	1,399
Plant and equipment – at cost	11,437	9,009
Less: accumulated depreciation and impairment	(7,766)	(6,831)
	3,671	2,178
Total property, plant and equipment	**5,116**	**3,577**

	Land & Buildings $'000	Plant & Equipment $'000	Total $'000
Consolidated – 2023			
Carrying amount at start of year	1,399	2,178	3,577
Revaluation	-	-	-
Additions	-	833	6,058
Acquired as part of business combinations	242	4,983	5,225
Disposals	(163)	(3,192)	(3,355)
Transfers	-	-	-
Depreciation and amortisation	(33)	(1,131)	(1,164)
Carrying amount at end of year	1,445	3,671	5,116

	Land & Buildings $'000	Plant & Equipment $'000	Total $'000
Consolidated – 2022			
Carrying amount at start of year	1,433	2,861	4,294
Revaluation	-	-	-
Additions	-	115	115
Disposals	-	-	-
Transfers	-	-	-
Depreciation and amortisation	(34)	(798)	(832)
Carrying amount at end of year	1,399	2,178	3,577

15.1 Summary of depreciation and amortisation expense:

	Notes	2023 $000	2022 $000
Property, plant and equipment – depreciation	15	1,164	832
Right-of-use – depreciation	16	1,858	1,685
Total depreciation		3,022	2,517
Intangible assets – amortisation	17	120	71
Total depreciation and amortisation		3,142	2,588

NOTE 16 RIGHT-OF-USE ASSETS

	2023 $000	2022 $000
Right-of-use assets – at cost	9,209	5,447
Less: accumulated depreciation and impairment	(2,546)	(5,011)
	6,663	**436**
Consolidated		
Carrying amount at start of year	436	2,069
Revaluation	-	-
Additions	8,085	52
Disposals	-	-
Transfers	-	-
Depreciation & amortisation expense	(1,858)	(1,685)
Carrying amount at end of year	6,663	436

The Group has leases on its Tomago and Port Kembla properties, which were renewed during the financial year for an additional five years, expiring 31 July 2027, leases on its motor vehicle fleet which expire in less than 12 months, and leases on IT related equipment that expire within 3 years. The Group recognised expense from short-term leases of $0.589M for the period ended 30 June 2023 (2022: $0.318M).

NOTE 17 INTANGIBLE ASSETS – NON–CURRENT

	2023 $000	2022 $000
Development costs - Mining equipment manufacturing - at cost	2,610	2,568
Less: Accumulated amortisation and impairment	(2,485)	(2,358)
Total Development Costs	**125**	**210**
Intellectual Property	2,220	-
Less: Accumulated amortisation	(141)	-
Total Intellectual Property	**2,059**	-
Total Carrying amount at end of year	**2,184**	**210**

	2023 $000	2022 $000
Development Costs		
Balance at beginning of year	210	3,452
Additions	35	1,026
Disposals	-	-
Transfers	-	(4,156)
Amortisation expense	(120)	(71)
Impairment expense	-	(41)
Carrying amount at end of year	125	210
Not yet ready for use	-	-
Other	125	210
Total	125	210
Intellectual Property		
Balance at beginning of year	-	-
Additions	2,200	-
Amortisation expense	(141)	-
Carrying amount at end of year	2,059	-

See Note 4

NOTE 18 TRADE AND OTHER PAYABLES – CURRENT

	2023 $000	2022 $000
Trade payables – unsecured	5,158	2,887
Contract liabilities – unsecured	1,490	559
Bank overdraft	1,330	887
GST payables	357	247
Payable to a related party	-	11
Sundry payables and accruals – unsecured	1,780	1,008
Total	**10,115**	**5,599**

NOTE 19 PROVISIONS

Current	2023 $000	2022 $000
Annual leave	1,769	1,249
Long service leave	770	501
RDO Provision	81	-
Total current	**2,620**	**1,750**
Non-Current		
Long service leave	402	220
Make good	40	40
Total Non-current	**442**	**260**

Annual leave and current long service leave comprise amounts payable that are vested and could be expected to be settled within twelve months of the end of the reporting period. Non-current long service leave comprises amounts that are not vested at the end of the reporting period and the amount and timing of the payments to be made when leave is taken is uncertain.

RDO provision comprises amounts payable that are vested and could be expected to be settled within twelve months of the end of the reporting period.

The acquisition of the VLI business has significantly increased current provisions, following the take-on of staff leave balances, per note 4.

Make good provision comprise estimated costs to return leased premises and assets to their contractual agreed condition on expiry of the lease.

NOTE 20 LOAN FROM A RELATED PARTY

	2023 $000	2022 $000
Interest bearing loan from a related party - unsecured	-	2,000
Total	**-**	**2,000**

In previous years, PPK Group Ltd has provided non-interest bearing unsecured loans to PPKMEG. As a consideration of the demerger of PPKMEG from PPK, PPK converted $20.847M of the loan outstanding into 89,231,601 shares in PPKMEG and the outstanding loan of $2.000M, after the conversion, was provided as an interest bearing, unsecured loan. Interest was fixed for the period of the loan at 4.52% and capitalised monthly against the loan. This loan was repaid in full on 28 June 2023, including an interest amount of $114,397.

NOTE 21 INTEREST BEARING LOANS

Current	2023 $000	2022 $000
Interest bearing loan from bank - secured	1,218	-
Total current	**1,218**	**-**
Non-Current		
Interest bearing loan from bank - secured	8,800	-
Total Non-current	**8,800**	**-**
Total	**10,018**	**-**
Movements		
Balance at beginning of year	-	-
Loan drawdown	10,000	
Interest Accrued	18	-
Carrying amount at end of year	**10,018**	**-**

PPKMEG has a $10.000M loan with a major Australian bank, secured against commercial property in Mt Thorley, NSW, as well as working capital and a general security agreement over all of the present and future rights, property and undertaking of PPKMEG and all wholly owned subsidiaries. Interest charges are calculated monthly, with principal and interest repaid quarterly at a floating rate, calculated at 3.85% above the Bank Bill Swap Bid Rate (BBSY), which was 4.35% per annum on 30 June 2023. The loan is required to be repaid on 30 April 2028.

NOTE 22 LEASE LIABILITIES

	2023 $000	2022 $000
Current	1,715	300
Non-Current	5,120	21
Total Lease Liabilities	**6,835**	**321**
Maturity analysis of contracted undiscounted cashflows		
Not later than 1 year	1,888	275
Later than 1 year and not later than 3 years	3,719	53
Later than 3 years	1,931	-
Total undiscounted lease payments	**7,538**	**328**
Less: Present value adjustment	(703)	(7)
Present value of future lease payments	**6,835**	**321**
Reconciliation of movement in Lease Liabilities		
Opening balance	321	2,076
New leases entered into	8,085	53
Payments	(1,908)	(1,865)
Interest expense	337	57
Closing lease liability	**6,835**	**321**
Total amounts recognised in the profit or loss under AASB 16		
Amortisation of Right-of-use assets	1,858	1,685
Interest expense on lease liabilities	337	57
Expenses related to short-term leases	589	318
Totals amounts in the profit or loss	**2,784**	**2,060**

All leases recognised are at commercial rates and vary in term from twelve months to four years. Refer to Note 2.22.2 for the accounting policy applied by the company.

NOTE 23 SHARE CAPITAL

23.1 Issued capital	2023 $	2022 $
89,289,293 (2022: 89,289,293) ordinary shares fully paid	**18,381,625**	**18,861,625**
Movements in ordinary share capital		
Balance at the beginning of the financial year	18,861,625	14,423
Shares issued as payment of a debt owing to PPK Group Limited	-	18,847,202
Elimination of Treasury shares held in Trust	(480,000)	-
Total	**18,381,625**	**18,861,625**

23.2 Share movements

Movements in number of ordinary shares:	No. of Shares	No. of Shares
Balance at the beginning of the financial year	89,289,293	57,692
New shares issued	-	89,231,601
Total	**89,289,293**	**89,289,293**

In March 2023, PPK Mining Equipment Plans Pty Ltd (in its capacity as trustee of the PPK Mining Equipment Group Limited Employee Share Trust) acquired 4,000,000 shares, for a cash consideration of $480,000. The Group intends to implement an Employee Share Scheme (ESS), whereby eligible employees will be offered a parcel of shares in PPKMEG which will be distributed from the Employee Share Trust.

The ESS has been approved by the Board and is expected to be finalised by December 2023. The remaining shares held by the Employee Share Trust following the ESS allotment will continue to be held on trust for the PPK Mining Equipment Group Limited Executive Rights Plan. The shares do not have a par value and each share is entitled to one vote at shareholder meetings. Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

23.3 Capital risk management

The Group considers its capital to comprise its ordinary shares and retained earnings.

In managing its capital, the Group's primary objective is to increase profitability, to provide a future return for equity shareholders, through capital growth and the payment of dividends to its shareholders. In order to achieve this objective, the Group seeks to maintain a gearing ratio that balances risks and returns at an acceptable level and to maintain a sufficient funding base to enable the Group to meet its working capital and strategic investment needs. In making decisions to adjust its capital structure to achieve these aims, either through altering dividend policy, new share issues, share buy-backs, or the increase/reduction of debt, the Group considers not only its short-term position, but also the long-term operational and strategic objectives.

Following the acquisition and integration of a competitor, funded by cash holdings and debt, for the 2023 financial year, the Group's policy was to maintain its gearing ratio within the range of 40% - 65% (2022: 10% - 30%). The Group expects its gearing ratio will continue to decline each subsequent year, as a result of principal debt repayments and increased cash holdings from operational activities. The Group's gearing ratio at the Statement of Financial Position date is shown below:

	2023 $000	2022 $000
Gearing Ratios		
Total borrowings	10,000	2,000
Less cash and cash equivalents	(8)	-
Add bank overdraft	1,330	501
Net debt (cash surplus)	11,322	2,501
Total equity	18,381	15,616
Total capital	18,381	15,616
Gearing ratio	62%	16%

The gearing ratio is calculated excluding lease liabilities.

The Group intends to minimise debt but has the ability to access debt should it be necessary, with a focus on funding intangible assets to completion and commercialisation, as well as acquiring additional strategic assets as and when the opportunity presents. There is no change as to what the Group considers to be its capital.

NOTE 24 RESERVES

	2023 $000	2022 $000
Reserves		
Performance rights reserve	-	-
Asset revaluation reserve	-	-
	-	-
Movement in reserves		
23.1 Performance rights reserve		
Balance at beginning of year	-	129
Issue of share capital by PPK for LTI Plan	-	(129)
Carrying amount at end of year	-	-
23.2 Asset revaluation reserve		
Balance at beginning of year	-	350
Unwinding on demerger	-	(350)
Carrying amount at end of year	-	-

NOTE 25 FINANCIAL INSTRUMENTS RISK

The Group's financial instruments include investments in deposits with banks, receivables, payables and interest bearing liabilities. The accounting classifications of each category of financial instruments, as defined in Note 2.10, Note 2.11, Note 2.16, Note 2.17, Note 2.18 and Note 2.22 and their carrying amounts are set out below.

	Weighted Average Interest Rate	Notes	Floating $000	Within 1 Year $000	1 to 5 Years $000	Total $000
Consolidated 2023						
Financial assets						
Receivables	0.0%	11	-	8,436	-	8,436
Contract assets	0.0%	12	-	2,869	-	2,869
Cash and cash equivalents	0.0%	10	-	8	-	8
Total financial assets			-	11,313	-	11,313
Financial liabilities						
Interest-bearing loans	8.2%	21	-	-	10,018	10,018
Trade and other payables	0.0%	18	-	8,335	-	8,335
Lease liabilities	4.2%		-	1,715	5,120	6,835
Bank overdraft	8.4%	18	1,330	-	-	1,330
Total financial liabilities			1,330	10,050	15,138	26,518
Consolidated 2022						
Financial assets						
Receivables	0.0%	11	-	5,682	-	5,682
Contract assets	0.0%	12	-	1,166		1,166
Total financial assets			-	6,848	-	6,848
Financial liabilities						
Interest-bearing loans	4.5%	21	-	-	2,000	2,000
Trade and other payables	0.0%	18	-	4,586	-	4,586
Lease liabilities	5.2%		-	300	21	321
Bank overdraft	5.0%	18	501	-	-	501
Total financial liabilities			501	4,886	2,021	7,408

Financial risk management

The Board of Directors have overall responsibility for the establishment and oversight of the financial risk management framework. The Group's activities expose it to a range of financial risks, including credit risk and liquidity risk. The Group's risk management policies and objectives are therefore designed to minimise the potential impacts of these risks on the results of the Group, where such impacts have the potential to be material. The Board receives monthly internal management reports, which it reviews and regularly discusses the effectiveness of the processes put in place and the appropriateness of the objectives and policies to support the delivery of the Group's financial targets, while protecting future financial security. The Group does not use derivatives.

25.1 Interest risk

Interest rate risk is the risk that the fair value or future cash flows of a security will fluctuate due to changes in interest rates. Exposure to interest risk arises due to holding floating rate interest bearing liabilities, investments in cash and cash equivalents and loans to related parties and other entities.

Loans to and from related parties and other entities are at fixed rates. The Group has performed sensitivity analysis relating to its interest rate risk based on the Group's year end exposure. This sensitivity analysis demonstrates the effect on pre-tax results and equity which could result from a movement of interest rates of +/- 1%.

Change in profit before tax	**2023**	**2022**
	$000	**$000**
- increase in interest rates by 1%	(375)	(16)
- decrease in interest rates by 1%	375	16

25.2 Credit risk

The Group's maximum exposure to credit risk is generally the carrying amount in trade and other receivables, net of any allowance for credit losses. The Group has in place formal policies and periodic review processes for establishing credit approval and limits to manage this risk.

The Group also has a credit risk exposure in relation to cash at bank. The Group's policy is to ensure funds are exclusively invested with Tier 1 Australian banks, thus minimising the Group's exposure to this credit risk. Refer to Note 11 for detail on the Group's trade and other receivables.

The Group was not exposed to exchange rate transaction risk on foreign currency sales or foreign currency purchases during the year as sales are made in Australian currency and most foreign currency purchases are paid in advance. The Group does not take forward cover or hedge its risk exposure.

25.3 Liquidity risk

Liquidity risk is the risk the Group will encounter difficulty in meeting obligations associated with financial liabilities. The Group's objective to mitigate liquidity risk is to maintain a balance between continuity of funding and flexibility through the use of bank loans, other loans and lease agreements. The Group exposure to liquidity risk is not significant based on existing available funding facilities and cash flow forecasts. Details of the Group's financing facilities are set out in Notes 21 and 25.

Financial liabilities maturity analysis

The tables below reflect the undiscounted, contractual settlement terms for the Group's financial liabilities of a fixed period of maturity, as well as the earliest possible settlement period for all other financial liabilities. As such the amounts may not reconcile to the balance sheet.

	Carrying amount	<6 months	6-12 months	1-3 years	>3 years	Contractual Cash flows
	$000	$000	$000	$000	$000	$000
Consolidated 2023						
Financial liabilities (current & non-current)						
Bank overdraft	1,330	1,330	-	-	-	1,330
Trade and other payables	8,785	8,785	-	-	-	8,785
Interest-bearing loan	10,018	-	-	10,018	-	10,018
Lease liabilities	6,835	1,715	-	3,099	2,021	6,835
Total financial liabilities	26,968	11,830	-	13,117	2,021	26,968
Consolidated 2022						
Financial liabilities (current & non-current)						
Bank overdraft	887	887	-	-	-	887
Trade and other payables	4,712	4,712	-	-	-	4,712
Interest-bearing loan	2,000	-	-	2,000	-	2,000
Lease liabilities	321	300	-	21	-	321
Total financial liabilities	7,920	5,899	-	2,021	-	7,920

NOTE 26 CONTINGENT ASSETS AND LIABILITIES

Contingent Liabilities exist in the Group due to various undertakings in the ordinary course of business, of which, none are anticipated to materialise into Current or Non-Current Liabilities. The Group's guarantees and indemnities include:

- bank guarantees held by three unrelated parties, for a consolidated value of $514,968, in relation to operational property leases.
- a Corporate Market loan of $10.000M from a major Australian bank, secured by a guarantee over all of the present and future rights, property and undertakings of PPKMEG and its subsidiaries;
- a finance facility up to $6.000M from a major Australian bank, secured against PPK MEG's debtors, and secured by a guarantee over all of the present and future rights, property and undertakings of PPK MEG and its subsidiaries;
- a credit card facility for $0.100M with a general security agreement over all of the present and future rights, property and undertakings of PPK MEG and its subsidiaries;
- the lease motor vehicle fleet provider has a guarantee and indemnity from PPKMEG for the run-off of the existing leased motor vehicle fleet in the amount of $0.274M.
- a cash backed bank guarantee, with a leading Australian institutional bank, provided to a customer in September 2023 for the value of $59,324.

As previously disclosed, PPKMEG continue to defend a claim in the Supreme Court of NSW, where PPKMEG is named, but has been indemnified by PPK, in relation to a dispute pertaining to the vesting conditions of a business acquired in 2014. That trial has now concluded and PPK are currently waiting for judgment to be handed down.

NOTE 27 RELATED PARTIES

For details on transactions between related parties refer to Notes 4, 8 and 20.

NOTE 28 INVESTMENTS IN SUBSIDIARIES

	Country of Incorporation	Notes	Percentage Owned	
Subsidiaries of PPK Mining Equipment Group Limited:			**2023 %**	**2022 %**
PPK Mining Equipment Pty Ltd	Australia		100%	100%
PPK Mining Equipment Hire Pty Ltd	Australia		100%	100%
PPK Mining Repairs Alternators Pty Ltd	Australia		100%	100%
PPK Firefly Pty Ltd	Australia		100%	100%
PPK Properties Pty Ltd	Australia		100%	100%
PPK Electrics Pty Ltd	Australia		100%	100%
York Group Limited	Australia		100%	100%
Rambor Pty Ltd	Australia		100%	100%
Rambor Manufacturing Pty Ltd	Australia		100%	100%
Rambor Logistics & Asset Management Pty Ltd	Australia		100%	100%
PPK Electrics Holdings Pty Ltd	Australia		100%	100%
Coaltec Pty Ltd	Australia		100%	100%
PPK IP Pty Ltd	Australia		100%	100%
PPK Mining Equipment Plans Pty Ltd	Australia		100%	100%

NOTE 29 EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

Leases

The Group extended the existing lease agreement with its current motor vehicle fleet provider for a further twelve month period, renewing as each individual lease expires. The current motor vehicle fleet provider has completed a proposal schedule to refinance all existing fleet vehicles and is currently being reviewed by Executive Officers and the Board. The Group has provided a guarantee and indemnity to the lessor.

Once approval has been communicated to the fleet provider, there is potential for extended delivery delays, due to international supply chain issues. The Group have reviewed the condition of the existing fleet and confirm it will continue to service the needs of the business, until new vehicles are delivered.

Customer Contracts

Following the end of the financial year, the Group entered into a contract with a major Australian underground coal mine for the overhaul and repair of a fleet of vehicles. This contract is in addition to existing customer contracts and further strengthens PPKMEG's strong revenue base.

A condition of the agreement required PPKMEG take out a bank guarantee with a leading Australian institutional bank. PPKMEG provided funds for a cash backed bank guarantee, which has been completed and provided to the customer in September 2023. PPKMEG expects to fulfill all obligations linked to the aforementioned tender and confirms there are no indicators to suggest otherwise.

DIRECTORS' DECLARATION

FOR THE YEAR ENDED 30 JUNE 2023

1. In the opinion of the Directors of PPK Mining Equipment Group Limited;

a) The consolidated financial statements and notes of PPK Mining Equipment Group Limited are in accordance with the *Corporations Act 2001*, including

   (i) Giving a true and fair view of is financial position as at 30 June 2023 and of its performance for the financial year ended on that date; and

   (ii) Complying with Australia Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

b) There are reasonable grounds to believe that PPK Mining Equipment Group Limited will be able to pay its debts as and when they become due and payable.

2. Note 2 confirms the consolidated financial statements comply with International Financial Reporting Standards.

Signed in accordance with a resolution of the Board of Directors:

ROBIN LEVISON
Chairman

DALE MCNAMARA
Executive Director

Dated this 6th day of October 2023

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Independent auditor's report to the members of PPK Mining Equipment Group Limited

Opinion

We have audited the financial report of PPK Mining Equipment Group Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, 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:

a. Giving a true and fair view of the consolidated financial position of the Group as at 30 June 2023 and of its consolidated financial performance for the year ended on that date; and

b. 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 auditor independence requirements of 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information is the directors' report accompanying the financial report.

Our opinion on the financial report does not cover the other information and accordingly 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.

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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 Group's ability to continue as a going concern, disclosing, as applicable, matters relating 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 have 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.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young

Brad Tozer
Partner
Brisbane
6 October 2023

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