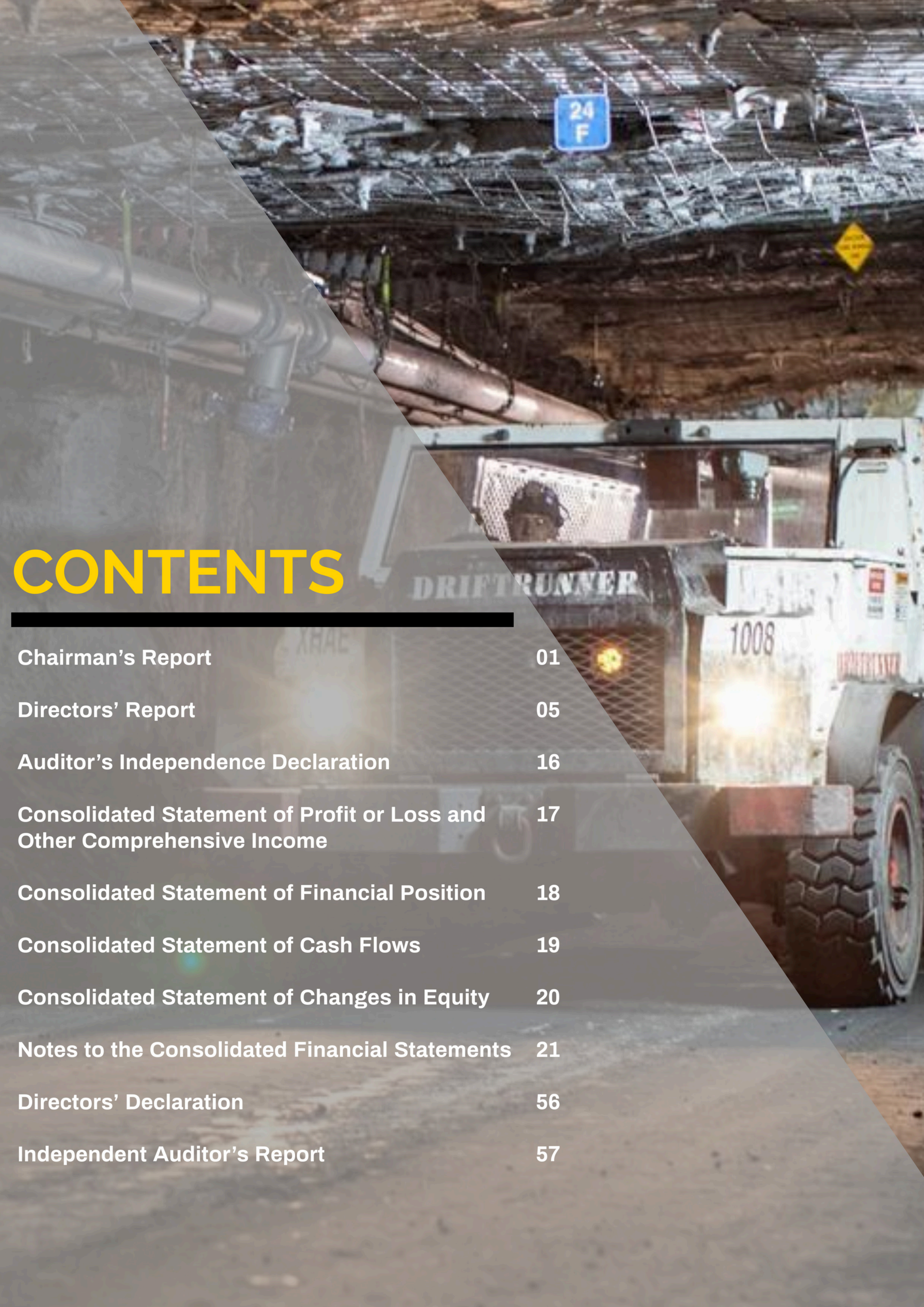
PPK

MINING EQUIPMENT

ANNUAL REPORT 2024

PPK MINING EQUIPMENT GROUP LTD
ACN: 121 201 705



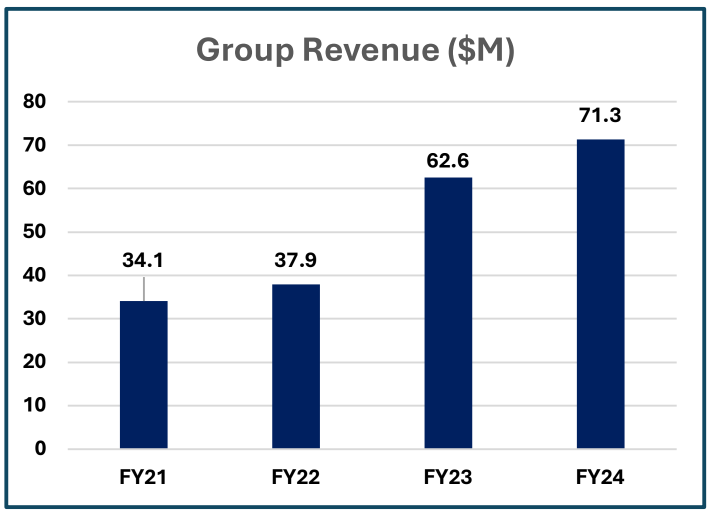
CONTENTS

CHAIRMAN'S REPORT

It is my pleasure to provide an update on the progress your company, PPK Mining Equipment Group Limited (PPKMEG), has made in Financial Year 2024, its second full financial year following the demerger from PPK Group Limited (PPK).

Much has changed and significant operational and financial improvements have occurred across the group since the acquisition of the NSW and QLD based business of Valley Longwall International Diesel (VLI) in July 2022 for $9.2 million, and the subsequent integration of this business into the Company's operations.

We are continuing to see the benefits of the increased scale of the VLI acquisition, reflected in a 14% year-on-year increase in Group Operating Revenue (FY24: $71.3M v FY23: $62.6M) . Pleasingly, this growth has been achieved with only a 20% increase in Inventory/Work In Progress, which is an encouraging result and signals the potential for enhanced future margins. However, despite this revenue growth, bottom line profits for FY2024 were lower than the previous year attributable to the write off of non-provisioned work in progress and obsolete stock. These non-cash adjustments are isolated to the current financial year and following strong Q1 results in FY2025, I am confident improved net profit returns will eventuate in FY2025.



As a reminder to shareholders, the acquisition of the well-known industry brands from VLI included the Driftrunner range of personnel carriers, the Jug-A-0 diesel-powered four-wheel drive Load-Haul-Dump vehicle and the Brumby utility vehicle. These, combined with PPKMEG's Coaltram Load-Haul-Dump Tier 3 vehicle, provide for more than 1,000 active vehicles operating in our target sector, which all require ongoing parts sales, service and support.

Off the back of acquiring these leading mining vehicle brands, PPKMEG secured three contracts in the current reporting period to complete entire Fleet Overhauls, namely the service and overhaul of 26 x Jug-A-0 LHD's and Driftrunner personnel carriers. Subsequent to the reporting period, PPKMEG has executed an additional contract for the Fleet Overhaul of 16 Driftrunners; with PPKMEG advised there is a strong likelihood of securing a further Fleet Overhaul base value contract for 11 PPKMEG branded underground vehicles. The four executed contracts will add an additional invoice base value of $11.0M, with the soon to be executed contract expected to add an additional $4.0M in base contract invoicing.

CAPITAL UPDATE

The acquisition of the VLI business continues to be financed by a $16 million facility from a leading Australian bank, with a current outstanding balance drawn on this facility of $9.9M at the end of the current reporting period.

GEOGRAPHICAL PRESENCE

We now have 192 staff based in five operating centres across the group:

- Tomago, NSW (Workshop)
- Port Kembla, NSW (Workshop)
- Emerald, QLD (Workshop)
- Mackay, QLD (Warehouse/Part Sales)
- Mt Thorley, NSW (Manufacturing)

These five sites give PPKMEG a strong level of geographical coverage across the key New South Wales mining centres of Wollongong and the Illawarra Basin, Hunter Valley, Narrabri, as well as the Bowen Basin in Queensland.

In May 2024, the Port Kembla workshop floorspace was expanded by 20% to accommodate the growing workload from that area. As a result of increased productivity and utilisation of the additional space, we have already seen a 15% year-on-year increase in invoicing in Q1 FY2025 compared to Q1 FY24.

CAPITAL EQUIPMENT

The demand for new capital equipment continues to be strong across the Group's range of OEM vehicles. Discussions are ongoing with one of China's largest mining equipment manufacturing companies for the build of new heavy machines, further bolstering the Group's expanding product offering. The discussions continue to be positive and rely on Australian approvals and purchase orders being received.

The Indian market also remains a key focus with the Driftrunner vehicle being the only certified foreign vehicle available for sale in India.

NEW TECHNOLOGY UPDATE

As outlined last year, the industry's first ceramic Belford Filter has been approved for use in Coaltrams in NSW and QLD by state regulators. Current indications suggest first revenue from this category changing product are expected Q4 of FY25.

The next step will be to retrofit the Belford Filter to both the Driftrunner and Jug-A-0 vehicles currently operating underground. We continue to work towards necessary approval from state regulators, which we expect to receive, given we have existing approval for new vehicles. Once approval is obtained, we will proceed to marketing the filter to existing customers who own these vehicles.

Whilst the testing and market acceptance of the Belford filter continues, we are also developing closer relationships with our traditional filter supplier to ensure continuity of supply for existing and new customers.

PPKME is also in the process of developing a new Driftrunner engine package that has a significant increase in power and far cleaner emissions profile. This upgrade not will only enhance performance but also improve usability, maintenance, and environmental impact, making it a valuable investment for the company.

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 reviewing options, both in Australia and globally to develop a suitable battery pack to power the new BEV, as well as allowing for the re-powering of existing underground mining vehicles.

COALTRAM® update

PPKMEG have partnered with a European Company to develop a new Engine Controller package for the COALTRAM®, which will provide advanced control features, improved diagnostic capability and greater adaptability to future upgrades. In conjunction with the Engine Controller package upgrade, we have completed a new functional safety-rated shutdown system, available for installation into both new and existing Coaltrams from Q3 FY2025.

DRIFTRUNNER UPDATE

PPKMEG are well advanced in the development of a new 4 cylinder turbocharged explosion protected engine which will provide significant increases in power, whilst reducing diesel particulate matter by 50%. This new diesel engine system will be available for installation into both new and existing Driftrunners from Q4 FY2025.

UNMARKETABLE PARCELS SHARE BUYBACK

As outlined in last year’s Notice of Annual General Meeting (AGM), PPKMEG proposed a selective buyback of shares from shareholders holding shares with a value of less than $500 (referred to as an ‘unmarketable parcel’ of shares). I am pleased to report this initiative resulted in a reduction of approximately 3,290 shareholders, significantly reducing administrative costs associated with maintaining a large number of very small holdings. As a result, approximately 2.78 million shares have been cancelled, leaving approximately 86.5 million shares on issue.

SUMMARY

To conclude, I would like to emphasise the acquisition of the VLI business has created much needed scale to the Group, and with the addition of skilled VLI staff to the company’s operations, PPKMEG is well positioned for its next stage of significant growth.

It is also important to understand that our customers, primarily tier-one blue chip mining companies, are mining Metallurgical Coal used for steel making, not power generation. The high quality nature of the product is reflected in the premium prices received for their coal, some of the cleanest burning coal available globally.

While our customers remain at the heart of everything we do, there is a standout opportunities ahead. With over one thousand coal mining vehicles underground today, the bulk of which rapidly aging, there will soon be a demand for either material servicing and upgrades to extend lifecycles or a need for capital equipment replacement.

With revenue increasing 14% from the previous year, we expect this positive trend to continue, which should lead to a further improved balance sheet, declining debt levels and an increase in operational cash flow. This, in turn, should allow PPKMEG in the future to pay its first dividend.

Lastly, the Group will endeavour to provide material updates of its achievements and milestones throughout the year via its website and other shareholder communications.

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 2024.

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
Glenn Molloy

Glenn Molloy was appointed to the Board on 31 July, 2024. All other 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 was previously 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 to 31 August 2024)
- 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 to 31 August 2024)

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

Glenn Molloy
Non-Executive Director

Appointed to the PPK Mining Equipment Group Limited Board on 31 July 2024.

Glenn Molloy has held, and continues to hold, executive roles across ASX listed companies, including Executive Director at PPK Group Limited, where he was Chairman of the Audit Committee and now continues to be a Member of the Audit Committee and a Member of the Remuneration and Nomination Committee. He has extensive experience on public company boards, and in advising publicly listed and private entities on commercial aspects of mergers, acquisitions and divestment activities.
Glenn Molloy founded the former entity Plaspak Pty Ltd in 1979.

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

- PPK Group Limited (Appointed: 21 December 1994)

INFORMATION ON COMPANY SECRETARIES

Will Shiel BA (Hons) in Law FGIA

Appointed as Company Secretary on 16 August 2021 and ceased 26 July 2024.

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 underground coal mines in the Hunter Valley and Illawarra regions in NSW, as well as 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 three major workshops in Tomago, NSW, Port Kembla, NSW and Emerald, QLD. Additionally, sales and servicing centres are strategically located in Mt Thorley, NSW and Mackay, QLD.

OPERATING RESULTS

PPKMEG significantly increased its total revenues and other income to $71.294M from $62.635M, an increase of 14%. This includes the sale of parts and equipment of $27.908M, being 6% above the previous year, and overhaul and workshop revenues of $42.901M, being 26% over the previous year.

Net profit after tax was $1.584M in FY24, including a positive tax adjustment of $0.474M, resulting in a normalised operational profit after tax of $1.110M. This compares to FY23 where the Net profit after tax was $2.624M, including a positive tax adjustment of $0.600M and a non-cash gain on acquisition of $1.207M, resulting in a normalised FY23 operational profit after tax of $0.817M.

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 - 4.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Leases

During the financial year, the Group signed a revised five-year lease extension for the Port Kembla property, with an expiry date of 30 April 2029, with two subsequent five-year extension options at the discretion of the Group.

REVIEW OF FINANCIAL CONDITION

Net assets have increased by 9% to $19.357M, while current working capital has increased to $16.389M from $16.013M in 2023, a 2% increase. The largest movements have been the increase in trade receivables of $2.196M, increase in inventories of $3.628M, offset by an increase in trade payables of $2.549M.

Non-Current Assets increased by $6.842M year on year, up to $22.951M and Non-Current Liabilities have increased by $5.621M to $19.983M. The largest movements have been an increase of Right-of-use assets of $7.889M offset by an increase in in Lease Liabilities of $6.841M.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Customer Contracts

Subsequent to 30 June 2024, 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.

Legal Settlement

PPKMEG continues 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 with a vendor employee for the issue of a second tranche of $0.500M of shares in PPK Group Limited (PPKMEG's ultimate holding company, prior to demerger), plus interest and costs.

The Court of Appeal found in favour of the plaintiff and PPKMEG and PPK Group Limited sought special leave to appeal to the High Court of Australia, however this was not granted. The matter was then remitted back to the Supreme Court of NSW for determination of relief and costs, which occurred on 14 June 2024. PPK Group Limited satisfied the award of 1,136,011 shares valued at $500,000. The appeal deadline on relief has now passed and, as such, the decision on relief is now final.

Further, PPKMEG continues to negotiate with the plaintiff regarding the matter of costs. At the date of this report, those discussions are ongoing.

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 2024 are included in the Chairman's Report set out on pages 1 to 4 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 new Driftrunner engine package, expected to be available for sale by the end of FY25, will deliver increased power, cleaner emissions, reduction in hazardous materials, with the ability to be retrofitted to multiple vehicles.

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 2024 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	6,753,978	-	-	6,753,978
Executive				
Dale McNamara	3,443,332	608,118	-	4,051,450
Total	**14,247,463**	**608,118**	**-**	**14,855,581**

OPTIONS AND UNISSUED SHARES

The number of ordinary share rights in PPKMEG issued during the reporting period is set out below:

Individual / Entity	Ordinary Share Rights at the End of the Financial Year
Non-Executive	
Robin Levison	583,333
Simon Napoli	230,769
Executive	
Dale McNamara	583,333
Non-Director	
Glenn Molloy	583,333
Total	**1,980,768**

PROCEEDINGS ON BEHALF OF THE COMPANY

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, with all related excesses recorded and incurred in prior reporting periods. As such, no further financial or monetary loss is expected 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 2024 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 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:

	2024	2023
Taxation advice	17,875	11,500
Total remuneration	17,875	11,500

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 2024 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 18th day of October 2024

PPK

MINING EQUIPMENT

OEM VEHICLES

COALTRAM

CT08 | C10T | CT10LP

JUG-A-O

Z SERIES 10T | 12T

BRUMBY

1 & 3 PERSON | 4T

DRIFTRUNNER

PERSONNEL CARRIER & UTILITY VEHICLE

PPK

MINING EQUIPMENT

FIREFLY

RAMBOR BOLTERS

TOP LEG ROOF BOLTER | RADIAL DRILL RIG

RIB DRILL

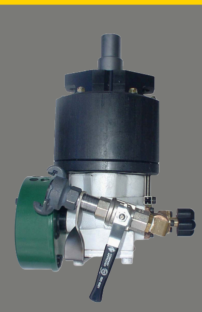
HANDHELD PNEUMATIC DRILL

GROUT PUMP

CONCRETE PUMP & MIXERS

PNEUMATIC MOTORS

MONORAIL AND CONVEYOR SYSTEMS



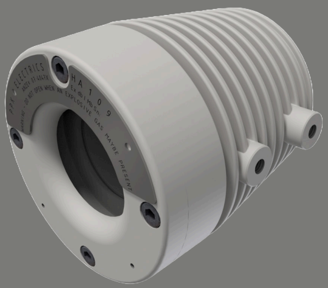
PPK

MINING EQUIPMENT

ELECTRICAL

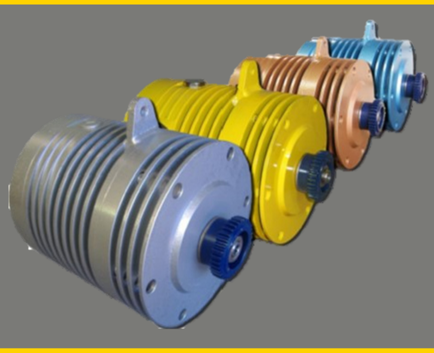
LED LIGHTS

NEW DIMMEBLE MODELS AVALIABLE



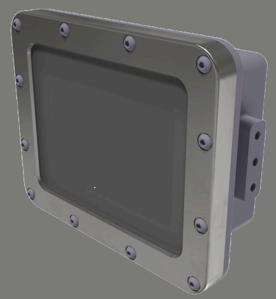
ALTERNATORS

FLAMEPROOF MR111 12V | FLAMEPROOF MR211 24V



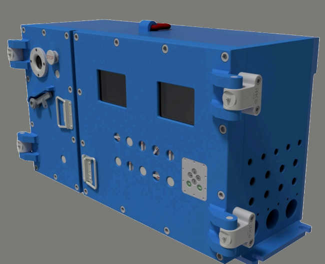
CAMERA AND DISPLAY

IN HOUSE MANUFACTURED ASSEMEBLIES



ENCLOSURES

FLAMEPROOF ENCLORES



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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 2024, 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

Ernst & Young

Brad Tozer

Brad Tozer
Partner
18 October 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2024

		Consolidated Entity	
		2024	**2023**
	Notes	**$000**	**$000**
Revenue from contracts with customers	3	70,809	60,423
Rental income	3	341	2,091
Interest Income	3	144	-
Other income		-	121
Total revenue and other income		71,294	62,635
Expenses			
Cost of sales		(55,190)	(47,871)
Employee expenses		(5,376)	(4,463)
Administration expenses		(2,576)	(4,371)
Short-term leases	21	(513)	(589)
Share-based payments	4.3	(373)	-
Gain from business combinations		-	1,207
Depreciation	15.1	(3,889)	(3,283)
Other expenses		(414)	-
Interest expense		(1,853)	(1,241)
Total expenses		(70,184)	(60,611)
PROFIT BEFORE INCOME TAX EXPENSE		1,110	2,024
Income tax benefit attributable to profit	6	474	600
PROFIT AFTER INCOME TAX EXPENSE		**1,584**	**2,624**
OTHER COMPREHENSIVE INCOME			
Items that may be re-classified to profit or loss		-	-
OTHER COMPREHENSIVE INCOME NET OF INCOME TAX		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**1,584**	**2,624**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2024

	Notes	2024 $000	2023 $000
CURRENT ASSETS			
Cash and cash equivalents	10	223	8
Trade and other receivables	11	10,632	8,436
Contract assets	12	2,778	2,869
Inventories	13	22,233	18,605
Other financial assets	14	-	1,252
Other current assets		593	577
TOTAL CURRENT ASSETS		36,459	31,747
NON-CURRENT ASSETS			
Property, plant and equipment	15	4,356	5,116
Right-of-use assets	16	14,552	6,663
Intangible assets	17	1,966	2,184
Other financial assets	14	-	1,703
Other non-current assets		104	-
Held for sale assets	15	796	-
Deferred tax assets	6	1,177	443
TOTAL NON-CURRENT ASSETS		22,951	16,109
TOTAL ASSETS		59,410	47,856
CURRENT LIABILITIES			
Trade and other payables	18	11,334	8,785
Provisions	19	2,998	2,620
Interest bearing loans and borrowings	20	2,304	2,548
Lease and other liabilities	21	3,109	1,715
Provisions for tax	6	325	66
TOTAL CURRENT LIABILITIES		20,070	15,734
NON-CURRENT LIABILITIES			
Provisions	19	408	442
Interest bearing loans and borrowings	20	7,614	8,800
Lease liabilities	21	11,961	5,120
TOTAL NON-CURRENT LIABILITIES		19,983	14,362
TOTAL LIABILITIES		40,053	30,096
NET ASSETS		19,357	17,760
EQUITY			
Contributed equity	22	18,141	18,381
Reserves	23	253	-
Retained earnings (accumulated losses)		963	(621)
TOTAL EQUITY		19,357	17,760

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2024

		Consolidated Entity	
		2024	2023
	Notes	$000	$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		74,970	64,883
Cash payments to suppliers and employees		(70,441)	(60,561)
Interest received		144	28
Interest paid		(1,853)	(1,251)
Net cash provided by operating activities	5.1	2,820	3,099
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for purchases of plant and equipment		80	(833)
Proceeds from sale of property		79	162
Payments for development expenditures and intangibles	17	-	-
Payment for business acquisition		-	(9,200)
Transaction costs related to acquisition		-	(157)
Proceeds from other financial assets		893	238
Net cash provided by (used in) investing activities		1,052	(9,790)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from other borrowings		-	18,600
Repayment of other borrowings		-	(10,600)
Principal payment for commercial loan		(1,205)	(79)
Principal payment for lease liabilities		(1,866)	(1,571)
Payment for Ordinary Share Cancellation		(360)	-
Payment for treasury shares		-	(480)
Net cash provided by (used in) financing activities		(3,431)	5,870
Net increase (decrease) in cash held		441	(822)
Cash at the beginning of the financial year		(1,323)	(501)
Cash at the end of the financial year (net of overdraft)	5.2	(882)	(1,323)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2024

	Notes	Issued Capital (Note 22) $000	Retained Earnings $000	Reserves (Note 23) $000	Share-based Payments Reserve $000	Total Equity $000
CONSOLIDATED ENTITY						
At 1 July 2023		18,381	(621)	-	-	17,760
Total comprehensive income (loss) for the year						
Profit (loss) for the year		-	1,584	-	-	1,584
Total comprehensive income (loss) for the year		-	1,584	-	-	1,584
Share buyback and cancellation	22.1	(360)	-	-	-	(360)
Share issue to employees from Treasury Shares	22.1	119	-	10	-	129
Share-based payments reserve - Service Rights	4.3	-	-	-	76	76
Share-based payments reserve - Director Fees settled as Service Rights	4.3	-	-	-	168	168
At 30 June 2024	22.1	**18,140**	**963**	**10**	**244**	**19,357**

FOR THE YEAR ENDED 30 JUNE 2023

	Notes	Issued Capital (Note 22) $000	Retained Earnings $000	Reserves (Note 23) $000	Share-based Payments 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	22.1	(480)	-			(480)
At 30 June 2023	22.1	**18,381**	**(621)**	**-**	**-**	**17,760**

The accompanying notes form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2024

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 2024 were authorised for issue in accordance with a resolution of the Directors on 18 October 2024 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 9.

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 MATERIAL 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 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 effective for these financial statements

There were no first-time standards and amendments effective for the financial period ended 30 June 2024 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.

NOTE 2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

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.

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. The amendments were first adopted for the year ended 30 June 2023 and did not 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. The amendment has been first adopted for the year ended 30 June 2024; however, has not had 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.

NOTE 2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

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. The amendment has been first adopted for the year ended 30 June 2024 and has not had a material impact on the financial statements.

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 twelve 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 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 twelve 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 twelve months;
- clarifying specific situations in which an entity does not have a right to defer settlement for at least twelve 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, 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.

NOTE 2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.3 Basis of consolidation

The Group financial statements consolidate those of PPKMEG and all of the entities 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 substantive voting rights, 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.

NOTE 2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

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 five 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 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. The performance obligation is satisfied upon delivery of the equipment and payment is generally due within 30 to 60 days from delivery.

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.

NOTE 2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

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.

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 share-based payments expense with a corresponding credit to share-based payments 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 expected to become exercisable. Estimates were revised if there was any indication 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.

NOTE 2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.10 Cash and cash equivalents

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.

NOTE 2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

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.

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 of 15 years and is carried at cost less accumulated amortisation and impairment losses. All Intellectual property is amortised on a straight-line basis. 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.

NOTE 2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

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.

NOTE 2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

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)

NOTE 2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

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.

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.

NOTE 2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

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.

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.

NOTE 2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

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 twelve 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.

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.

NOTE 2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

Impairment of raw materials and finished goods

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.

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 than one year; and
- Provides for 100% of the inventory value as impaired for those stock items which have no sales for more than three years.
- Management then reviews the remainder of all stock items and, for those which management consider to be slow moving:
  - Provides for 15% of the inventory value as impaired for those stock items with stock holdings of 1-2 years;
  - Provides for 20% of the inventory value as impaired for those stock items with stock holdings of 2-3 years;
  - Provides for 25% of the inventory value as impaired for those stock items with stock holdings of 3-4 years;
  - Provides for 40% of the inventory value as impaired for those stock items with stock holdings of 4-5 years;
  - Provides for 50% of the inventory value as impaired for those stock items with stock holdings of more than 5 years;

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

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 realisable value is based on management's analysis of work in progress for individual jobs on a three-step process:

- Management performs a review of all jobs in progress for more than six months and provides for up to 50% of the work in progress value as impaired;

- 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;

- Management then reviews individual jobs less than six 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.

NOTE 2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

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 (ERP) 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 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).

Deferred tax asset

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

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 18 October 2024, 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 28) the following at 30 June 2024:

- during the whole of the 2024 financial year, and at all times subsequent, PPKMEG has been able to meets its obligations as and when they fell due. Reliance on the Working Capital facility of $6.000M continues to decrease in the short-term, supporting operational forecasts indicating the facility will transition to only be used if and when needed.
- The initial $10.000M facility from a leading Australian bank has decreased to $8.800M as at the reporting date and is being charged interest at the Bank Bill Swap Rate plus 3.85%, adjusted quarterly for market interest rates. Principal and interest is repayable on a quarterly basis, with the final payment due May 2028.
- the Group has $10.632M of trade and other receivables;
- the Group has $16.389M of working capital – net of overdraft;
- the Group has $19.356M of net assets; and
- the Group has integrated a substantial acquisition that the Directors expect will continue to generate higher profits 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:

	Notes	Consolidated Entity 2024 $000	2023 $000
Type of goods or services			
Sale of goods		27,908	26,250
Rendering of services		42,901	34,173
Total revenue from contracts with customers		**70,809**	**60,423**
Rental income		341	2,091
Other income		144	121
Total revenue		**71,294**	**62,635**
Timing of revenue recognition			
Goods transferred at a point in time		27,908	26,250
Services rendered over time		43,386	36,264
Total revenue from contracts with customers		**71,294**	**62,514**

3.2 Direct Employee Costs

Expense recognition for employee costs attributable to the revenue from contracts with customers was $15.251M in 2024 (2023: $13.648M). This expense is recognised as cost of sales.

NOTE 4 SHARE-BASED PAYMENTS

Liabilities for share-based payments where the Group does not have an unconditional right to defer settlement for at least twelve months after the reporting date are presented as Current. Liabilities for share-based payments where the Group has an unconditional right to defer settlement for at least twelve months after the reporting date are presented as Non-Current.

4.1 Share-based payments

Directors and Employees (including senior executives) of the Group may receive remuneration in the form of share-based payments, whereby services are rendered in exchange for equity instruments (equity-settled transactions). Employees who satisfy minimum employment tenure are eligible to participate in complying Employee Share Schemes (ESS).

Eligible employees (excluding Directors and Senior Executives) were invited to participate in a complying Employee Share Scheme (ESS) in the current reporting period. A total of 995,600 Ordinary Shares were transferred to eligible employees on 15 December 2023 at a valuation of 13 cents per share. These shares were previously held as Treasury Shares and eliminated on consolidation.

4.2 Executive Rights Plan

Under the Group's Executive Rights Plan (ERP), share rights of the parent are granted to senior executives of the parent, including members of key management personnel. The share rights can be exercised up to fifteen years after the grant date and will be taken to lapse if not exercised before the end of the Term of Rights. The exercise price for all share rights granted under the ERP is nil.

As noted in the 2023 Annual Report, Robin Levison and Simon Napoli were not paid director fees for the FY23 period, and their fees were accrued. During the FY24 period, Mr Levison was issued 583,333 rights and Mr Napoli was issued 230,769 service rights under the ERP in lieu of their accrued fees for the FY23 period.

Additionally, during FY24, the Board issued 583,333 rights under the ERP to the Company's strategic advisor in lieu of cash payment for accrued consultancy fees, and another 583,333 rights to Dale McNamara as a performance incentive for FY23.

The number of Service Rights issued to Mr Levison and Mr Napoli was calculated by dividing the amount of sacrificed fees by the Share price of $0.12 per Share, being the price at which PPKMEG Shares most recently traded prior to the Service Rights being issued. The number of Service Rights issued to the Company's strategic advisor was calculated by dividing the amount of sacrificed advisory fees by the Share price of $0.13 per Share, being the price at which PPKMEG Shares most recently traded prior to the Service Rights being issued. The fair value of all Service Rights at the time they were granted reflects these valuations.

All Service Rights issued in the current reporting period vested in one tranche, seven days after the Grant Date, providing the participant was still engaged by the Company or continued to hold the office of Director on that date. All participants met the vesting requirements.

Service Rights may not be disposed of at any time except by force of law such as on death. Service Rights may be exercised at any time once vested. Each Service Right has a term ending fifteen years after the Grant Date. If not exercised before the end of their term, the Service Rights will lapse. If the participant ceases to be engaged or hold office during a tranche, then Service Rights for that tranche vested in proportion to time elapsed as served in the tranche. All subsequent tranches will lapse. A participant in the ERP must not enter into an arrangement with anyone if it would have the effect of limiting their exposure to risk in relation to Service Rights. If the Board forms the view that a participant has committed an act of fraud, defalcation or gross misconduct in relation to the Company, all unexercised Service Rights will be forfeited.

4.3 Share-Based Payments

		Consolidated Entity	
		2024	**2023**
	Notes	**$000**	**$000**
Type of share-based payment			
Share issue to employees from Treasury Shares		129	-
Share-based payments reserve - Service Rights		76	-
Share-based payments reserve - Director Fees settled as Service Rights		168	-
Subsidiary Companies		-	-
Total share-based payment expenses		**373**	**-**

NOTE 5 CASH FLOW INFORMATION

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

	Notes	Consolidated Entity 2024 $000	2023 $000
Profit (loss) after income tax		1,584	2,624
Cash flows in operating activities but not attributable to operating result:			
Amortisation	15.1	218	261
Depreciation	15.1	3,671	3,022
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
Disposal of PPE		408	-
Amount transferred from inventory to PPE		-	(34)
Finance Costs on loans		-	79
Share-based payments		373	-
Interest accrued		-	18
Reversal of tax benefit accrued		(474)	(600)
Changes in assets and liabilities:			
Decrease (increase) in trade and other receivables		(2,268)	(4,457)
Decrease (increase) in other current assets		42	(78)
Decrease (increase) in inventories		(3,628)	(5,016)
(Decrease) increase in provisions		344	1,052
(Decrease) increase in trade creditors and accruals		2,550	4,074
Net cash provided by operating activities		2,820	3,099

5.2 Reconciliation of Cash

For the purposes of the cash flow statement, cash includes:

Call deposits with financial institutions	223	8

NOTE 6 INCOME TAX EXPENSE

	Notes	Consolidated Entity 2024 $000	2023 $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		1,110	2,024
Prima facie tax payable (benefit) at 30.0% (2023: 30.0%)		333	506
(Non-assessable income) non-deductible expenses		3	(248)
Current year (profit) losses for which no deferred tax asset was recognised		-	-
Recognition of prior period temporary differences not recognised		(535)	(913)
Change of applicable tax rate		(89)	-
Tax payable (benefit) of prior year losses carried forward		(40)	-
Other		(147)	55
Income tax expense (benefit)		(474)	(600)
The applicable weighted average effective tax rates are as follows:		(42.7%)	(30%)

(b) The components of tax expense comprise:		
Current Tax	260	66
Deferred Tax	(733)	(666)
(Over) under provision in respect of prior years	(1)	-
Income tax expense (benefit)	(474)	(600)
(c) Recognised in the Statement of Financial Position		
Deferred Tax Assets – tax losses	-	-
Deferred Tax Assets – temporary differences	6,116	2,511
Deferred Tax Liabilities – temporary differences	(4,939)	(2,068)
Total	1,177	443
(d) Not recognised in the Statement of Financial Position		
Unrecognised deferred tax assets/(deferred tax liabilities)		
Tax Losses	-	-
Temporary Differences	1,844	2,266
Total	1,844	2,266
Movements		
Opening balance	2,266	3,199
Reassessment of tax rate	113	-
Tax losses not recognised current year	-	-
Recognition of deferred tax assets not previously recognised	-	(913)
Temporary differences (recognised)/not recognised current year	(535)	(20)
Adjustment related to transfer of balances from demerger	-	-
Closing balance	1,844	2,266

NOTE 7 AUDITORS' REMUNERATION

	Consolidated Entity	
	2024	**2023**
	$	**$**
Remuneration of the auditor of the Company for Audit Services:		
Audit Services		
Group audit fee per Financial Statements (including all subsidiaries)	124,535	126,772
Non-audit Services		
Tax compliance services and general taxation advice	17,875	11,500
Total fees for services provided	**142,410**	**138,272**

NOTE 8 KEY MANAGEMENT PERSONNEL REMUNERATION

8.1 Key management personnel (KMP) remuneration

	2024	**2023**
	$000	**$000**
Short-term benefits	320	320
Share-based payments	146	-
Post-employment benefits	-	24
Total KMP remuneration	**466**	**344**

The above table discloses remuneration of the KMP of PPKMEG, either paid or accrued during the reporting period. The amounts included in 2024 and 2023 comprise solely of fees directly related to the Group's Directors remuneration.

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

	Notes	2024 $000	2023 $000
Total Fees included in Trade and other payables		**40**	**-**

NOTE 9 PARENT ENTITY INFORMATION

	Notes	2024 $000	2023 $000
Current assets		-	-
Non-current assets		15,920	15,683
Total assets		**15,920**	**15,683**
Current liabilities		833	544
Non-current liabilities		1	-
Total liabilities		834	544
Net assets		**15,086**	**15,139**
Contributed equity		18,501	18,862
Reserves		244	-
Retained earnings		(3,659)	(3,723)
Total equity		**15,086**	**15,139**
Profit (loss) for the year (including impairments)		64	(256)
Other comprehensive income (loss) for the year		-	-
Total comprehensive income (loss) for the year		**64**	**(256)**

NOTE 10 CASH AND CASH EQUIVALENTS – CURRENT

	Notes	2024 $000	2023 $000
Cash at bank and on hand		223	8
Total		**223**	**8**

NOTE 11 TRADE AND OTHER RECEIVABLES – CURRENT

	Notes	2024 $000	2023 $000
Trade Receivables		10,632	8,436
Total Receivables		**10,632**	**8,436**

Ageing Analysis	Current	> 60 days $000	Total $000
Total Receivable	**10,476**	**156**	**10,632**

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 90% 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 10% 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 2024 it was determined no expected credit loss provision was required.

NOTE 12 CONTRACT ASSETS – CURRENT

	2024 $000	2023 $000
Contract assets	**2,778**	**2,869**
Carrying amount at start of year	2,869	1,166
Consideration received for services rendered in the previous period	(2,869)	(1,166)
Revenue recognised for rendering services not yet received	2,778	2,869
Total	**2,778**	**2,869**

See Notes 2.12 and 2.23

NOTE 13 INVENTORIES - CURRENT

	2024 $000	2023 $000
Inventories	**22,233**	**18,605**
At net realisable value:		
Raw Materials	112	51
Finished goods	9,304	7,551
Work in progress	12,817	11,003
Total	**22,233**	**18,605**

Expenses incurred for inventories sold was $33.079M in 2024 (2023: $26.751M). 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 $1.168M reversal of inventories (2023: reversal $1.003M).

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

NOTE 14 OTHER FINANCIAL ASSETS

The Group had an undiscounted, contractual gross investment of $3.370M at the end of the previous reporting period. The finance lease disclosed in the previous reporting period was modified in the current reporting period to recognise the fleet of assets as PPE in the Group's Fixed Asset Register (FAR). A segment of the vehicle fleet were sold prior to the current reporting date, with the remaining vehicles on short-term hire or classified as Held for Sale.

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**
Consolidated - 2024					
Minimum gross payments receivable on finance leases					
Underground machines	-	-	-	-	**-**
Total gross finance leases	**-**	**-**	**-**	**-**	**-**
Minimum present value payments receivable on finance leases					
Underground machines	-	-	-	-	**-**
Total present value finance leases	**-**	**-**	**-**	**-**	**-**
Consolidated - 2023					
Minimum gross payments receivable on finance leases					
Underground machines	3,370	1,556	1,814	-	**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 present value finance leases	**2,955**	**1,480**	**1,475**	**-**	**2,955**

NOTE 15 PROPERTY, PLANT AND EQUIPMENT – NON-CURRENT

	2024	2023
	$000	**$000**
Land and buildings	1,500	1,579
Less: accumulated depreciation	(168)	(134)
	1,332	1,445
Plant and equipment – at cost	11,461	11,437
Less: accumulated depreciation and impairment	(8,437)	(7,766)
	3,024	3,671
Assets Held for Sale – at cost	796	-
Total property, plant and equipment	**5,152**	**5,116**

	Land & Buildings $'000	Plant & Equipment $'000	Assets Held for Sale $'000	Total $'000
Consolidated – 2024				
Carrying amount at start of year	1,445	3,671	-	5,116
Revaluation	-	-	-	-
Additions	-	1,709	1,276	2985
Disposals	(79)	(930)	(480)	(1,489)
Transfers	-	-	-	
Depreciation and amortisation	(34)	(1,427)	-	(1,460)
Carrying amount at end of year	**1,332**	**3,024**	**796**	**5,152**

Consolidated – 2023				
Carrying amount at start of year	1,399	2,178	-	3,577
Revaluation	-	-	-	-
Additions	-	833	-	833
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**

15.1 Summary of depreciation and amortisation expense:

	Notes	2024 $000	2023 $000
Property, plant and equipment – depreciation	15	1,460	1,164
Right-of-use – depreciation	16	2,211	1,858
Total depreciation		**3,671**	**3,022**
Intangible assets – amortisation	17	218	120
Total depreciation and amortisation		**3,889**	**3,142**

NOTE 16 RIGHT-OF-USE ASSETS

	2024 $000	2023 $000
Right-of-use assets – at cost	17,379	9,209
Less: accumulated depreciation and impairment	(2,827)	(2,546)
Carrying amount at end of year	**14,552**	**6,663**
Consolidated		
Carrying amount at start of year	6,663	436
Revaluation	-	-
Additions	10,100	8,085
Disposals	-	-
Transfers	-	-
Depreciation & amortisation expense	(2,211)	(1,858)
Carrying amount at end of year	**14,552**	**6,663**

The Group renewed and extended its Port Kembla lease during the financial year for an additional five years, expiring 30 April 2029, with a further two additional five-year options in the groups favour through to 30 April 2039. The Group also negotiated four-year leases for the new motor vehicle fleet during the financial year, while continuing to maintain all property and IT-related leases from prior reporting periods, all due to expire within three years. The Group recognised expense from short-term leases of $0.513M.for the period ended 30 June 2024 (2023: $0.589M).

NOTE 17 INTANGIBLE ASSETS – NON–CURRENT

	2024 $000	2023 $000
Development costs - Mining equipment manufacturing - at cost	2,610	2,610
Less: Accumulated amortisation and impairment	(2,556)	(2,485)
Total Development Costs	**54**	**125**
Intellectual Property	2,200	2,200
Less: Accumulated amortisation	(288)	(141)
Total Intellectual Property	**1,912**	**2,059**
Total Carrying amount at end of year	**1,966**	**2,184**

Development Costs		
Balance at beginning of year	125	210
Additions	-	35
Disposals	-	-
Transfers	-	-
Amortisation expense	(71)	(120)
Impairment expense	-	-
Carrying amount at end of year	**54**	**125**
Not yet ready for use	-	-
Other	54	125
Total	**54**	**125**

Intellectual Property		
Balance at beginning of year	2,059	-
Additions	-	2,200
Amortisation expense	(147)	(141)
Carrying amount at end of year	**1,912**	**2,059**

NOTE 18 TRADE AND OTHER PAYABLES – CURRENT

	2024 $000	2023 $000
Trade payables – unsecured	5,906	5,158
Contract liabilities – unsecured	3,224	1,490
GST payables	499	357
Sundry payables and accruals – unsecured	1,705	1,780
Total	**11,334**	**8,785**

NOTE 19 PROVISIONS

Current	2024 $000	2023 $000
Annual leave	1,920	1,769
Long service leave	980	770
RDO Provision	98	81
Total Current	**2,998**	**2,620**
Non-Current		
Long service leave	368	402
Make good	40	40
Total Non-Current	**408**	**442**

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 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.

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

NOTE 20 INTEREST BEARING LOANS

Current	2024 $000	2023 $000
Interest bearing loan from bank - secured	1,200	1,218
Interest bearing loan from bank – unsecured	1,104	1,330
Total current	**2,304**	**2,548**
Non-Current		
Interest bearing loan from bank - secured	7,614	8,800
Total Non-current	**7,614**	**8,800**
Total	**9,918**	**11,348**

Balance at beginning of year	11,348	1,330
Loan drawdown	-	10,000
Loan repaid	(1,200)	-
Loan reclassified	(230)	-
Interest Accrued	-	18
Carrying amount at end of year	**9,918**	**11,348**

PPKMEG has a $8.800M 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 2024. The loan is required to be repaid on 30 April 2028.

NOTE 21 LEASE LIABILITIES

	2024 $000	2023 $000
Current	3,109	1,715
Non-Current	11,961	5,120
Total Lease Liabilities	**15,070**	**6,835**
Maturity analysis of contracted undiscounted cashflows		
Not later than 1 year	208	1,888
Later than 1 year and not later than 3 years	213	3,719
Later than 3 years	19,682	1,931
Total undiscounted lease payments	**20,103**	**7,538**
Less: Present value adjustment	(5,033)	(703)
Present value of future lease payments	**15,070**	**6,835**
Reconciliation of movement in Lease Liabilities		
Opening balance	6,835	321
New leases entered into	10,101	8,085
Payments	(2,302)	(1,908)
Interest expense	436	337
Closing lease liability	**15,070**	**6,835**
Total amounts recognised in the profit or loss under AASB 16		
Amortisation of Right-of-use assets	2,211	1,858
Interest expense on lease liabilities	436	337
Expenses related to short-term leases	513	589
Totals amounts in the profit or loss	**3,160**	**2,784**

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 22 SHARE CAPITAL

22.1 Issued capital

	2024 $	2023 $
86,515,678 (2023: 89,289,293) ordinary shares fully paid	**18,140,527**	**18,381,625**
Movements in ordinary share capital		
Balance at the beginning of the financial year	18,381,625	18,861,625
Shares issued to employees via complying Employee Share Scheme	119,472	-
Shares cancelled via Selective Buyback	(360,570)	-
Elimination of Treasury shares held in Trust	-	(480,000)
Total	**18,140,527**	**18,381,625**

22.2 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	89,289,293
Shares cancelled via Selective Buyback	(2,773,615)	-
Total	**86,515,678**	**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 issued 995,600 Ordinary Shares to employees in December 2023 via a complying Employee Share Scheme (ESS), whereby eligible employees accepted a parcel of shares in PPKMEG.

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.

22.3 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 in the previous reporting period, funded by cash holdings and debt, for the 2024 financial year, the Group's policy was to continue the decline of its gearing ratio towards the lower of the range 40% - 65% (2023: 40% - 65%). 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:

	2024 $000	2023 $000
Gearing Ratios		
Total borrowings	8,800	10,000
Less cash and cash equivalents	(223)	(8)
Add bank overdraft	882	1,330
Net debt (cash surplus)	9,459	11,322
Total equity	18,141	18,381
Total capital	**18,141**	**18,381**
Gearing ratio	52%	62%

The gearing ratio is calculated excluding lease liabilities.

The Group intends to minimise debt; however, maintains the ability to access debt, if 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 23 RESERVES

	2024 $000	2023 $000
Reserves		
Share premium reserve	10	-
Asset revaluation reserve	-	-
Total Reserves	**10**	**-**
Movement in Reserves		
23.1 Share premium reserve		
Balance at beginning of year	-	-
Issue of share capital by PPKMEG for ESS	10	-
Carrying amount at end of year	10	-
23.2 Asset revaluation reserve		
Balance at beginning of year	-	-
Carrying amount at end of year	-	-

NOTE 24 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 2024						
Financial assets						
Receivables	0.0%	11	-	10,632	-	10,632
Contract assets	0.0%	12	-	2,778	-	2,778
Cash and cash equivalents	0.0%	10	-	223	-	223
Total financial assets			**-**	**13,633**	**-**	**13,633**
Financial liabilities						
Interest-bearing loans	8.3%	20	-	-	8,814	8,814
Trade and other payables	0.0%	18	-	11,334	-	11,334
Lease liabilities	5.4%		-	3,109	11,961	15,070
Debtor finance facility	9.2%	20	1,104	-	-	1,104
Total financial liabilities			**1,104**	**14,442**	**20,775**	**36,322**
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%	20	-	-	11,348	11,348
Trade and other payables	0.0%	18	-	8,785	-	8,785
Lease liabilities	4.2%		-	1,715	5,120	6,835
Debtor finance facility	9.2%	20	1,330	-	-	1,330
Total financial liabilities			**1,330**	**10,500**	**16,468**	**28,298**

Financial risk management

The Board of Directors have overall responsibility for establishment and oversight of 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 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.

24.1 Interest risk

Interest rate risk is the risk 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	2024 $000	2023 $000
- increase in interest rates by 1%	(99)	(130)
- decrease in interest rates by 1%	99	130

24.2 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.

24.3 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 20 and 24.

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 2024						
Financial liabilities (current & non-current)						
Debtor finance facility	1,104	1,104	-	-	-	1,104
Trade and other payables	11,334	11,334	-	-	-	11,334
Interest-bearing loan	8,814	600	600	3,600	4,014	8,814
Lease liabilities	15,070	-	183	200	14,687	15,070
Total financial liabilities	**36,322**	**13,038**	**783**	**3,800**	**18,701**	**36,322**
Consolidated 2023						
Financial liabilities (current & non-current)						
Debtor finance facility	1,330	1,330	-	-	-	1,330
Trade and other payables	8,785	8,785	-	-	-	8,785
Interest-bearing loan	10,018	600	600	3,600	5,218	10,018
Lease liabilities	6,835	1,715	-	3,099	2,021	6,835
Total financial liabilities	**26,968**	**12,430**	**600**	**6,699**	**7,239**	**26,968**

NOTE 25 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 four unrelated parties, for a consolidated value of $568,894, in relation to operational commercial property leases.
- a Corporate Market loan of $8.800M 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 the Group's debtors, and secured by a guarantee over all of the present and future rights, property and undertakings of the Group 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 the Group and its subsidiaries;
- the lease motor vehicle fleet provider has a guarantee and indemnity from the Group for the run-off of the existing leased motor vehicle fleet in the amount of $0.274M.
- three cash backed bank guarantees, with a leading Australian institutional bank, provided to customers for the value of $163,453.

As previously disclosed, the Group 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. See Note 28 for further details.

NOTE 26 RELATED PARTIES

For details on transactions between related parties refer to Note 8.

NOTE 27 INVESTMENTS IN SUBSIDIARIES

	Country of Incorporation	Notes	Percentage Owned	
Subsidiaries of PPK Mining Equipment Group Limited:			**2024 %**	**2023 %**
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 28 EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

Leases

The Group completed negotiations in the current reporting period with the existing motor vehicle fleet provider to update all group motor vehicle. The Group has provided a guarantee and indemnity to the lessor. All new motor vehicles were delivered by the reporting date and continue to be used by and generate savings for the Group.

Customer Contracts

Following the end of the reporting period, the Group has been advised it is the preferred candidate with a major Australian underground coal mine for the overhaul and repair of a fleet of vehicles. This contract will be in addition to existing customer fleet contracts and further strengthens PPKMEG's strong revenue base.

In line with existing customer fleet contracts, a condition of the agreement will require the Group to take out a bank guarantee with a leading Australian institutional bank. The Group will provide funds for a cash backed bank guarantee and expects to fulfill all obligations linked to the tender and confirms there are no indicators to suggest otherwise.

Legal Settlement

PPKMEG continues 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 with a vendor employee for the issue of a second tranche of $0.500M of shares in PPK Group Limited (the PPKMEG's ultimate holding company, prior to demerger), plus interest and costs.

The Court of Appeal found in favour of the plaintiff and PPKMEG and PPK Group Limited sought special leave to appeal to the High Court of Australia, however this was not granted.
The matter was then remitted back to the Supreme Court of NSW for determination of relief and costs, which occurred on 14 June 2024. PPK Group Limited satisfied the award of 1,136,011 shares valued at $500,000. The appeal deadline on relief has now passed and, as such, the decision on relief is now final.

PPKMEG continues to negotiate with the plaintiff regarding the matter of costs. At the date of this report, those discussions are ongoing.

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 of the consolidated entity, the results of those operations or the state of the consolidated entity in subsequent years.

NOTE 29 DEED OF CROSS GUARANTEE

Pursuant to ASIC Corporations (Wholly-owned Companies) Instrument 2016/785, relief has been granted to PPK Mining Equipment Pty Ltd from the Corporations Act 2001 requirements for the preparation, audit and lodgement of their financial report.

As a condition of the Corporations Instrument, PPK Mining Equipment Group Ltd and PPK Mining Equipment Pty Ltd (the "Closed Group"), entered into a deed of cross guarantee on 22 May 2024. The effect of the deed is that PPK Mining Equipment Group Ltd has guaranteed to pay any deficiency in the event of winding up of a controlled entity or if they do not meet their obligations under the terms of overdrafts, loans, leases or other liabilities subject to the guarantee. The controlled entities have also given a similar guarantee in the event that PPK Mining Equipment Group Ltd is wound up or if it does not meet its obligations under the terms of overdrafts, loans, leases or other liabilities subject to the guarantee.

The consolidated statement of profit or loss, consolidated statement of comprehensive income, and consolidated statement of financial position of the entities that are members of the Closed Group consisting of PPK Mining Equipment Group Ltd and PPK Mining Equipment Pty Ltd are as follows:

	2024 $000	2023 $000
Consolidated statement of profit or loss		
Revenue from contracts with customers	65,978	57,652
Interest Income	144	28
Other income	-	121
Total revenue and other income	66,122	57,801
Expenses		
Cost of sales	(51,283)	(44,531)
Employee expenses	(4,990)	(5,243)
Administration expenses	(1,802)	(2,096)
Short-term leases	(483)	(450)
Share-based payments	(373)	-
Gain from business combinations	-	1,050
Depreciation	(3,855)	(3,096)
Other expenses	(825)	(623)
Interest expense	(1,853)	(1,299)
Total expenses	(65,464)	(56,288)
PROFIT BEFORE INCOME TAX EXPENSE	658	1,513
Income tax benefit attributable to profit	474	600
PROFIT AFTER INCOME TAX EXPENSE	1,132	2,113
OTHER COMPREHENSIVE INCOME		
Items that may be re-classified to profit or loss	-	-
OTHER COMPREHENSIVE INCOME NET OF INCOME TAX	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	1,132	2,113

	Notes	2024 $000	2023 $000
STATEMENT OF FINANCIAL POSITION			
CURRENT ASSETS			
Cash and cash equivalents		222	-
Trade and other receivables		10,632	8,436
Contract assets		2,717	2,830
Inventories		18,605	16,494
Other financial assets		894	1,306
Other current assets		59	1,252
TOTAL CURRENT ASSETS		33,129	30,318
NON-CURRENT ASSETS			
Property, plant and equipment		3,819	4,156
Right-of-use assets		14,552	6,663
Intangible assets		1,966	2,184
Other non-current assets		404	2,004
Deferred tax asset		1,177	443
TOTAL NON-CURRENT ASSETS		21,918	15,450
TOTAL ASSETS		55,047	45,768
CURRENT LIABILITIES			
Trade and other payables		8,036	7,515
Provisions		2,998	2,620
Interest bearing loans and borrowings		2,304	2,541
Lease and other liabilities		3,109	1,715
Provisions for tax		325	66
TOTAL CURRENT LIABILITIES		16,772	14,457
NON-CURRENT LIABILITIES			
Provisions		408	442
Interest bearing loans and borrowings		7,614	8,800
Related party loans		11,665	11,336
Lease liabilities		11,960	5,120
TOTAL NON-CURRENT LIABILITIES		31,647	25,698
TOTAL LIABILITIES		48,419	40,155
NET ASSETS		6,628	5,613
EQUITY			
Contributed equity		18,501	18,862
Reserves		244	-
Retained earnings (accumulated losses)		(12,117)	(13,249)
TOTAL EQUITY		6,628	(5,613)

CONSOLIDATED ENTITY DISCLOSURE STATEMENT

	Entity Type	Body Corporate Country of Incorporation	Country of tax residence	Body Corporate % of share capital held
Subsidiaries of PPK Mining Equipment Group Limited:				
PPK Mining Equipment Pty Ltd	Body corporate	Australia	Australia	100%
PPK Mining Equipment Hire Pty Ltd	Body corporate	Australia	Australia	100%
PPK Mining Repairs Alternators Pty Ltd	Body corporate	Australia	Australia	100%
PPK Firefly Pty Ltd	Body corporate	Australia	Australia	100%
PPK Properties Pty Ltd	Body corporate	Australia	Australia	100%
PPK Electrics Pty Ltd	Body corporate	Australia	Australia	100%
York Group Limited	Body corporate	Australia	Australia	100%
Rambor Pty Ltd	Body corporate	Australia	Australia	100%
Rambor Manufacturing Pty Ltd	Body corporate	Australia	Australia	100%
Rambor Logistics & Asset Management Pty Ltd	Body corporate	Australia	Australia	100%
PPK Electrics Holdings Pty Ltd	Body corporate	Australia	Australia	100%
Coaltec Pty Ltd	Body corporate	Australia	Australia	100%
PPK IP Pty Ltd	Body corporate	Australia	Australia	100%
PPK Mining Equipment Plans Pty Ltd [1]	Body corporate	Australia	Australia	100%
PPK Mining Equipment Group Limited Employee Share Trust	Trust	N/A	Australia	N/A

[1] Entities are trustees for the PPK Mining Equipment Group Limited Employee Share Trusts in the consolidated entity.

DIRECTORS' DECLARATION

FOR THE YEAR ENDED 30 JUNE 2024

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 2024 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.

The consolidated entity disclosure statement required by section 295(3A) of the Corporations Act 2001 is true and correct.

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

ROBIN LEVISON
Chairman

DALE MCNAMARA
Executive Director

Dated this 18th day of October 2024

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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 2024, 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 material accounting policy information, the consolidated entity disclosure statement 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 2024 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.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of:

- The financial report (other than the consolidated entity disclosure statement) that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*; and

- The consolidated entity disclosure statement that is true and correct in accordance with the *Corporations Act 2001*; and

for such internal control as the directors determine is necessary to enable the preparation of:

- The financial report (other than the consolidated entity disclosure statement) that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and

- The consolidated entity disclosure statement that is true and correct and is free of 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.

- 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

Ernst & Young

Bradly Tozer

Brad Tozer
Partner
Brisbane
18 October 2024