PPK MINING EQUIPMENT GROUP LTD

ANNUAL REPORT

2022

CONTENTS

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 2022.

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	
Glenn Robert Molloy	Resigned 29 June 2022
Dale William McNamara	
Anthony John McDonald	Resigned 29 June 2022
Simon Napoli	Appointed 24 May 2022

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. (Age 64)
Chairman

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

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

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

Dale McNamara (Age 64)
Executive Director

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

Dale McNamara first joined PPK Group Limited in an executive capacity in late 2013. 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, a subsidiary of Industrea Ltd and served as its Managing Director since 1993. Dale was then appointed as Deputy Chief Executive Officer of Industrea in 2009. Following the takeover of Industrea in November 2012 Dale assumed the position of Global Director, Mining with the new owner.

Other listed public company directorships in the last 3 years:

- PPK Group Limited (Appointed: 30 April 2015, resigned 9 June 2022)

Simon Napoli
Non-Executive, Independent Director

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

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

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

INFORMATION ON COMPANY SECRETARIES

Will Shiel BA (Hons) in Law FGIA (Age 40)

Will was a senior legal counsel and manager at ASX Limited, focusing on technology. Before this, he held a variety of senior positions at leading national and international law firms. Will specialises in all aspects of commercial law, with particular experience in intellectual property, contracts and cutting-edge technology transactions.

Appointed as Company Secretary on 16 August 2021.

Liam Fairhall Blaw (Hons); Bmed Rad Sci; Grad Dip ACGRM; (Age 41)

Liam is the Deputy General Counsel for PPK Group Limited. He 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 compliance issues. Before joining PPK, Liam was Head of Legal and Company Secretary at a technology focussed bank that specialises in the provision of payment products and financial crimes services. Before this, he was a Senior Associate in the Corporate Advisory Group of one of Brisbane's largest independent law firms.

Appointed Company Secretary on 30 June 2022.

Pat Rogers (Age 50) Blaws, Bbus Accy, FGIA

Appointed as Company Secretary on 4 May 2021, resigned on 26 July 2021.

PRINCIPAL ACTIVITIES

PPKMEG has been in operation for more than 10 years and is a key provider of mining equipment and services in the Hunter Valley and Illawarra underground coal mines.

The nature of the Group's principal activities are the overhaul, servicing and parts sales from its two major workshops in Tomago and Port Kembla and the manufacture and sale of small mining equipment (under the internationally known brands of Rambor and Firefly) into NSW, Queensland and international underground coal markets. This includes the manufacture, sale of and servicing of the CoalTram LHD (Load, Haul, Dump) utility vehicle, the only Tier 3 certified electronic engine management system in the underground coal market which was first launched in 2009.

OPERATING RESULTS

PPKMEG increased its revenues from customers by 12% to $36.675M and overall revenues and other income by 11% to 37.871M with revenue from services of $24.355M increasing by 25% from the previous year. Losses after tax were $1.034M in 2022 (2021: $0.742M).

DIVIDENDS PAID OR DECLARED

No dividends were declared or paid during the year.

REVIEW OF OPERATIONS

During the year, the Group completed the demerger from PPK and the design and build of the following projects, which have been delayed due to supply chain disruption, and are pending certification so they can be sold:

- the twelve-man battery electric vehicle for underground transportation of up to 12 mine workers;
- a wall flow ceramic filter tested as the most efficient and effective filter in the underground coal market and will be available for use on the CoalTram and other underground machinery; and
- enhancements to the CoalTram.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Demerger from PPK Group Limited ("PPK")

PPKMEG had been a 100% owned subsidiary of PPK since 17 March 2014. On 29 June 2022, the Group was demerged from PPK with PPK shareholders receiving a total return of $0.1792 per share being a tax-free dividend of $0.0281 per share and a return of capital of $0.1511, which should also receive tax-free rollover relief. PPK also provided a $2.000 million unsecured loan to assist PPKMEG with its growth aspirations.

Capital Management

The Group refinanced its $4.000M finance facility with a major Australian bank and, subsequent to the year end, has had the facility extended for a further year.

As part of the demerger from PPK, the Group obtained a $2.000M unsecured debt owing to PPK at 4.52% interest and due for repayment on 30 June 2024.

REVIEW OF FINANCIAL CONDITION

The balance sheet has been strengthened considerably with the conversion of $18.847M short term loans owing to PPK into shares in PPKMEG leaving only a $2.000M of unsecured debt owing to PPK at 4.52% interest and due for repayment on 30 June 2024.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Leases

In July 2022, the Group signed the lease extension for the properties at Tomago and Port Kembla for 5 years to 31 July 2027.

The Group extended the existing lease agreement with its current motor vehicle fleet provider for a further 12 months, renewing as each individual lease expires. The Group has provided a guarantee and indemnity to the lessor.

Finance Facilities

On 11 July 2022, the Group entered into agreements with a major Australian bank for the following facilities:

- Corporate Market Loan of $4.000M – to be used for working capital purposes with an expiry date of 31 August 2023. The facility has not been drawn down.

- Credit Cards facility of $0.100M.

For the above facilities, the Group has given a general security agreement over all of the present and future rights, property and undertaking of PPK Mining Equipment Group Limited, PPK Mining Equipment Pty Ltd, PPK Properties Pty Ltd and PPK (IP) Pty Ltd and a guarantee and indemnity for $8.100M given to PK Mining Equipment Group Limited, PPK Properties Pty Ltd and PPK (IP) Pty Ltd.

- Bank Guarantee of $0.520M – to be used for working capital purposes as security for the property leases, with an expiry date of 31 August 2023. The bank guarantee is secured against term deposits of the same or similar amounts.

In August 2022, the Group’s $4.000M finance facility from a major Australian bank was extended for a further year and the guarantee and indemnity previously provided by PPK was terminated.

Purchase of Assets

On 15 July 2022, PPKMEG purchased the assets from a competitor for $9.357M. The purchase included inventory, plant and equipment, customer lists, intellectual property, equipment leases, property leases, freehold properties and assumed ongoing contracts with customers.

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

PPKMEG has assessed the purchase of the assets and offer of employment to the employees of the former company as a Business Combination under AASB 3 *Business Combinations* with the effective date of 15 July 2022. The acquisition accounting is provisional financial information and will be disclosed at the 30 June 2023 financial year end.

The summarised financial information is provided below:

Summarised Statement of Financial Position	**$000**
Inventory	4,364
Work-in-progress	518
Hire equipment	7,500
Plant and equipment	226
Land and buildings	406
Total assets purchased	13,014
Employee entitlements	(700)
Deferred tax liability	(779)
Net identifiable assets	11,535
Purchase price	(9,200)
Gain from a bargain purchase	2,335

The purchase of these assets were financed by loans of $8.600M, secured against the following assets:

Financier	Amount $000	Security Provided
PPK Group Limited(1)	600	Secured against the inventory purchased from the competitor
Li-S Energy Limited(1)	1,400	Secured against the property at Mt Thorley, NSW
Shareholder Related Financier(1)	3,000	Secured against identified assets purchased from the competitor
Director Related Financier(2)	3,600	Secured against identified assets purchased from the competitor

(1) Includes a minimum interest charge of six months.
(2) Includes three months interest paid upfront and a $0.025M establishment fee.

All loans are for a period of 12 months at 8.0% interest paid monthly in advance.

FUTURE DEVELOPMENTS

The Group expects to grow its revenues and profits in both the Southern and Northern regions of NSW and expand its operations into Queensland with the purchase of assets subsequent to the year end. The Group expects to generate revenues from the sale of the twelve-man battery electric vehicle, the ceramic filters and its enhanced CoalTrams.

DIRECTORS' SHAREHOLDINGS

As at the end of the financial year, the number of ordinary shares in PPKMEG held by directors is set out below:

2022	Share Balance at Start of Year	(1)Shares Acquired	Shares Sold	Shares Held at the End of the Reporting Period
Directors				
Non-Executive				
S Napoli	-	3,614,038	-	3,614,038
Executive				
D McNamara	-	3,043,332	-	3,043,332
R Levison	-	4,100,153	-	4,100,153
Former Directors				
A McDonald	-	409,120	-	409,120
G Molloy	-	21,277,987	-	21,277,987
Total Directors	-	32,444,630	-	32,444,630

(1) Shares issued from demerger of PPK on 29 June 2022

OPTIONS AND UNISSUED SHARES

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

ENVIRONMENTAL ISSUES

The Group remains committed

- The effective management of environment issues having the potential to impact on its business; and
- Minimising the consumption of resources utilised by its operations.

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

PROCEEDINGS ON BEHALF OF COMPANY

As previously disclosed, PPK and PPKMEG continue to jointly 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. That trial has now concluded and PPK and PPKMEG are currently waiting for judgment to be handed down.

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.

DIRECTOR'S MEETINGS

The number of Director's meetings and number of meetings attended by each of the Directors of PPKMEG during the year ended 30 June 2021 are set out in the table below

Directors	No. of meetings eligible to attend	No. of meetings attended
Robin Levison (Chair)	4	4
Dale McNamara	4	4
Simon Napoli(1)	1	1
Former Directors		
Glenn Molloy(2)	4	4
Anthony McDonald(3)	4	4

(1) Mr Napoli was appointed as a Director on 24 May 2022
(2) Mr Molloy resigned from the Board on 29 June 2022
(3) Mr McDonald resigned from the Board on 29 June 2022

DIRECTORS' INDEMNIFICATION

During or since the end of the financial year the company has given an indemnity or entered an agreement to indemnify, or paid or agreed to pay insurance premiums as follows:

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 company has insured all its Directors and Executive Officers. The contract of insurance prohibits the disclosure of the nature of the liabilities covered and 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 permitted by law, the Company 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 during or since the financial year.

NON-AUDIT SERVICES

The Group's auditor, Ernst & Young, did not provide non-audit services in the current and prior financial year.

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 2022 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	**DALE MCNAMARA**
Chairman	**Executive Director**

Dated this 30th day of November 2022

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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 2022, 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.

Ernst & Young

Ernst & Young

Brad Tozer

Brad Tozer
Partner
30 November 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2022

	Notes	Consolidated Entity 2022 $000	2021 $000
Revenue from contracts with customers		36,675	32,651
Rental income		1,184	1,381
Other income		12	66
Total revenue and other income		37,871	34,098
Expenses			
Cost of sales		(28,539)	(26,765)
Employee expenses		(2,899)	(2,463)
Administration expenses		(2,333)	(2,349)
Short-term leases		(318)	(359)
Share based payments expense		-	(152)
Warranty costs		-	(146)
Impairment of assets		(2,127)	(86)
Depreciation		(2,588)	(2,392)
Interest expense		(101)	(128)
Total expenses		(38,905)	(34,840)
PROFIT (LOSS) BEFORE INCOME TAX EXPENSE		(1,034)	(742)
Income tax (expense) benefit attributable to profit		-	-
PROFIT (LOSS) AFTER INCOME TAX EXPENSE		(1,034)	(742)
OTHER COMPREHENSIVE INCOME			
Items that may be re-classified to profit or loss			
OTHER COMPREHENSIVE INCOME (LOSS) NET OF INCOME TAX		-	-
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR		(1,034)	(742)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2022

		Consolidated Entity		
		2022	2021	2020
	Notes	$000	$000	$000
CURRENT ASSETS				
Cash and cash equivalents	11	386	545	974
Trade and other receivables	12	5,682	4,752	6,045
Contract assets	13	1,166	1,419	1,659
Inventories	14	13,590	11,427	10,594
Other current assets		499	776	625
TOTAL CURRENT ASSETS		21,323	18,919	19,897
NON-CURRENT ASSETS				
Property, plant and equipment	15	3,577	4,294	3,767
Right-of-use assets	16	436	2,069	3,628
Intangible assets	17	210	3,452	2,592
TOTAL NON-CURRENT ASSETS		4,223	9,815	9,987
TOTAL ASSETS		25,546	28,734	29,884
CURRENT LIABILITIES				
Non-interest bearing loan from a related party	20	-	23,496	38,149
Trade and other payables	18	5,599	3,381	3,924
Lease and other liabilities		300	1,801	1,681
Provisions	19	1,750	1,557	1,456
TOTAL CURRENT LIABILITIES		7,649	30,235	45,210
NON-CURRENT LIABILITIES				
Interest-bearing loan from a related party	20	2,000	-	-
Lease liabilities		21	276	1,998
Provisions	19	260	291	297
TOTAL NON-CURRENT LIABILITIES		2,281	567	2,295
TOTAL LIABILITIES		9,930	30,802	47,505
NET ASSETS		15,616	(2,068)	(17,621)
EQUITY				
Contributed equity	21	18,861	14	14
Reserves	22	-	479	368
Retained earnings (accumulated losses)		(3,245)	(2,561)	(18,003)
TOTAL EQUITY		15,616	(2,068)	(17,621)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2022

		Consolidated Entity	
		2022	2021
	Notes	$000	$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		41,688	38,750
Cash payments to suppliers and employees		(37,036)	(36,768)
Interest received		-	8
Interest paid		(101)	(128)
Net cash provided by (used in) operating activities	5.1	4,551	1,862
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for purchases of plant and equipment	15	(115)	(262)
Proceeds from sale of equipment		-	446
Payments for development expenditures and intangibles	17	(1,026)	(930)
Net cash provided by (used in) investing activities		(1,141)	(746)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of loan from related company		(2,649)	-
Principal payment for lease liabilities		(1,807)	(1,723)
Proceeds from other borrowings		-	178
Net cash provided by (used in) financing activities		(4,456)	(1,545)
Net increase (decrease) in cash held		(1,046)	(429)
Cash at the beginning of the financial year		545	974
Cash at the end of the financial year		(501)	545

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2022

	Notes	Issued Capital (Note 21) $000	Accumulated Losses $000	Reserves (Note 22) $000	Revaluation Reserve $000	Total Equity $000
CONSOLIDATED ENTITY						
At 1 July 2021		14	(2,561)	129	350	(2,068)
Total comprehensive income (loss) for the year						
Profit (loss) for the year		-	(1,034)	-	-	(1,034)
Total comprehensive income (loss) for the year		-	(1,034)	-	-	(1,034)
Conversion of loan owing to PPK to equity	21.1	18,847	-			18,847
Unwinding of revaluation reserve on demerger	22.2	-	350	-	(350)	-
Issue of share capital by PPK for LTI Plan	22.1	-	-	(129)	-	(129)
At 30 June 2022		18,861	(3,245)	-	-	15,616

FOR THE YEAR ENDED 30 JUNE 2021

	Notes	Issued Capital (Note 21) $000	Accumulated Losses $000	Reserves (Note 22) $000	Revaluation Reserve $000	Total Equity $000
CONSOLIDATED ENTITY						
At 1 July 2020		14	(18,003)	368	-	(17,621)
Total comprehensive income (loss) for the year						
Profit (loss) for the year		-	(4,742)	-	-	(4,742)
Total comprehensive income (loss) for the year		-	(4,742)	-	-	(4,742)
Transfer of assets from a related party		-	20,184	-	350	20,534
Issue of performance rights from PPK to PPKMEG employees	22.1	-	-	106	-	106
Issue of share capital for Long Term Incentive Plan	22.1	-	-	(345)	-	(345)
At 30 June 2021		14	(2,561)	129	350	(2,068)

The accompanying notes form part of these financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

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 2022 were authorised for issue in accordance with a resolution of the Directors on 30 November 2022 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 27, 10 Eagle Street, Brisbane, Queensland, 4000.

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

PPKMEG has been in operation for more than 10 years and is a key provider of mining equipment and services in the Hunter Valley and Illawarra underground coal mines.

The nature of the Group's principal activities are the overhaul, servicing and parts sales from its two major workshops in Tomago and Port Kembla and the manufacture and sale of small mining equipment (under the internationally known brands of Rambor and Firefly) into NSW, Queensland and international underground coal markets. This includes the manufacture, sale of and servicing of the CoalTram LHD (Load, Haul, Dump) utility vehicle, the only Tier 3 certified electronic engine management system in the underground coal market which was first launched in 2009.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation and Statement of Compliance

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

These financial statements are the first general purpose consolidated financial statements prepared in accordance with Australian Accounting Standards. In the prior year, PPKMEG was a subsidiary of a publicly listed company, PPK Group Limited ("PPK"), of which its consolidated general purpose financial statements were prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. PPKMEG was disclosed as a Disposal Group Held for Sale in PPK's consolidated financial statements and PPKMEG separately presented its statements of financial position, profit or loss and other comprehensive income and cash flows. PPK's compliance with the Australian Accounting Standards resulted in full compliance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

There was no impact on the recognition and measurement of amounts recognised in the statements of financial position, profit and loss and other comprehensive income and cashflows of PPKMEG as a result of the change in the basis of preparation. The end of PPKMEG's first Australian Accounting Standards reporting period is 30 June 2022, therefore, its date of transition to Australian Accounting Standards is the beginning of business on 1 July 2021.

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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

There were no other first time standards and amendments effective for the financial period ended 30 June 2022 that are material to the Company. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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

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

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

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

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss. An entity applies this amendment for annual reporting periods beginning on or after 1 July 2022 and the amendment is applied retrospectively but only to items of property, plant and equipment that are "ready to use" from the date of application. When this amendment is first adopted for the year ended 30 June 2023, the amendment is not expected to have a material impact on the financial statements.

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

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

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

An accounting policy may require items in the financial statements to be measured using information that is 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 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

The AASB has proposed further amendments:

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

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

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

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

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

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Basis of consolidation

The Group financial statements consolidate those of PPKMEG and all of the entities that it controls at 30 June each year.

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

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

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

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

2.4 Business combination

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

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

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

2.5 Foreign currency translation

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

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

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

NOTE 2 SUMMARY OF SIGNIFICANT 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 5 step process:

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

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

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

Sale of goods

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

Rendering of Services

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

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

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

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

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

In previous years, PPK operated equity-settled share right-based incentive plans for its directors and employees. None of PPK's plans feature any share rights for a cash settlement.

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

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

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

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

2.9 Finance costs

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

2.10 Cash

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

2.11 Trade receivables and other receivables

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

2.12 Contract assets

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

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

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

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

2.13 Inventories

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

2.14 Property, plant and equipment

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

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

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

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

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 5 - 7 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 and is carried at cost less accumulated amortisation and impairment losses. The asset is tested annually for impairment, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

2.16 Financial instruments

Initial recognition and measurement

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

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

i) Financial assets

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

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

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

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent measurement

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

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

Financial assets at amortised cost (debt instruments)

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

Financial assets fair value through OCI (debt instruments)

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

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

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

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

Financial assets at FVTPL

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

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

Derecognition

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

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

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Impairment

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

ii) Financial liabilities

Initial measurement and recognition

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

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

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

Subsequent measurement

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

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

Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated up initial recognition as FVTPL.

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

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at FVTPL are designated at the initial date of recognition, and only if the criteria in AASB 9 are satisfied.

Financial liabilities at amortised cost (loans and borrowings)

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

Amortised cost is calculated by taking into account 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.22.2 Lease liabilities

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

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

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

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

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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 are 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 are not included as part of the lease term because the Group typically does not exercise any renewal periods.

Recognition of fixed contract revenues

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

Impairment of raw materials and finished goods– prior period judgements

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

For CoalTrams, heavy machinery, pneumatic, hydraulic and small mining equipment parts there is a four step process:

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

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

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

The review done in the 2022 financial year resulted in a write down of inventory of $2.127M as a result of fair value measurement required for assets held for sale (2021: $0.086M).

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of work in progress– prior period judgement

Management has used significant judgement to determine the net realisable value, based on the most reliable evidence available at the time the estimates are made, of the amount that work in progress are expected to realise and the estimate of costs to complete. The net realizable value is based on management's analysis of work in progress for individual jobs on a three step process:

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

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

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

Impairment of intangibles – development costs– prior period judgement

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

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

Intangible assets not yet ready for use require an annual impairment test. Management has used significant judgement to determine there was no impairment that occurred after the initial recognition of the intangible asset. Management made this assessment using estimated future cash flows from the investment. Based on the information available to support the estimates made, Management concluded there was no impairment charge of the intangibles at the reporting date (2021: nil).

Impairment of non-current assets

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

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

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

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

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

The Group recognised two distinct customer segments:

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

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

Share-based payments

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant.

PPK has a new long term incentive plan called the Executive Rights Plan which is managed by a Trust on behalf of executives and senior managers who are offered Performance Rights which can be converted to PPK shares on a one-for-one basis subject to meeting the vesting conditions. There were two tranches issued during the financial year; Special Catch-Up Grant and FY22 Performance Rights.

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 4.1).

Tax Losses Carried Forward

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

Deferred Tax Asset

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

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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 30 November 2022, 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 27) the following at 30 June 2022:

- during the whole of the 2022 financial year, and at all times subsequent, PPKMEG has been able to meets its obligations as and when they fell due;
- the Group has $5.682M of trade and other receivables;
- the Group has $1.166M of contract assets;
- the Group has $13.674M of working capital – net of overdraft;
- the Group has $15.616M of net assets;
- the Group has $2.000M of unsecured debt at 4.52% interest capitalised monthly and not due for repayment until 30 June 2024; and
- the Group has acquired assets from a competitor, subsequent to the end of the financial year, that the Directors expect will generate higher profits to the Group in future years.

In order to acquire the assets from a competitor, the Group was required to enter into a number of short term loans which are due for repayment to the lenders or rollover in July 2023. The Group can request a 12 month extension in relation to $8.0 million of borrowings, subject to approval by the lenders.

The Group is currently considering options to address these short term debt obligations which may include some or a combination of a) requesting rollover; b) obtaining additional banking facilities; and/or c) realising non-current assets. Specifically, the Group is currently in negotiations with a major Australian bank to execute longer term debt funding.

Should the options noted above not be successful, the Directors are confident that funding could be sourced from alternative lenders. The Group has a portfolio of assets it can provide as security and is forecasting positive cash flows from operations and the sale of fixed assets to generate funds prior to the loan expiry dates to either reduce the required funding or provide further confidence to lenders of the Group's ability to meet its repayments. The refinancing and/or settlement of these loans in one way or another is essential to allow the Group to continue as a going concern.

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

NOTE 3 REVENUE AND OTHER OPERATING INCOME

3.1 Revenue from contracts with customers

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

	Notes	Consolidated Entity 2022 $000	2021 $000
Type of goods or services			
Sale of goods		13,524	13,169
Rendering of services		23,151	19,482
Total revenue from contracts with customers		**36,675**	**32,651**
Rental income		1,184	1,381
Total revenue		**37,859**	**34,032**
Timing of revenue recognition			
Goods transferred at a point in time		13,524	13,169
Services rendered over time		24,335	19,482
Total revenue from contracts with customers		**37,859**	**32,651**

NOTE 4 SHARE BASED PAYMENT EXPENSE

PPKMEG does not operate a share payment program for employee remuneration.

PPK had two share payment programs for employee remuneration; the Long Term Incentive Plan (LTI) and the Exempt Employee Share Plan (Exempt).

NOTE 4 SHARE BASED PAYMENT EXPENSE (continued)

LTI Plan

For the previous financial year, PPK had an LTI in place which is managed as a Trust on behalf of two directors and a senior manager of PPKMEG. The directors and senior manager were offered Performance Rights, which can be converted to PPK shares on a one-for-one basis subject to the PPK share price meeting set price targets and the directors and senior manager continuing their employment to the vesting date. The LTI was approved by PPK shareholders at the Annual General Meeting on 27 November 2018.

PPK can issue shares to the Trustee or fund the purchase of PPK shares, in the open market, on behalf of the Trustee. Once this occurs, the Trustee will hold the PPK shares on behalf of the participants until such time that the vesting conditions for Performance Rights are met. Once the vesting conditions are met, the participants can apply to have the shares sold or transferred to the applicable participant.

Two directors, D McNamara and A McDonald, participate in the LTI on the same terms and conditions as the senior manager. D McNamara was offered 400,000 performance rights with 100,000 performance rights vesting in Tranche 1 through to Tranche 4 subject to retention of his services to meet the vesting conditions. The performance rights were approved by the shareholders at the Annual General Meeting on 27 November 2018.

A McDonald was offered 50,000 performance rights due to the time and services provided and this was approved by the shareholders at the Annual General Meeting on 26 November 2019. The performance rights vest in four equal tranches of 12,500 at the same dates as the existing performance rights, subject to retention of his services to meet the vesting conditions.

All performance and vesting conditions for the LTI were met on 1 July 2021 and all performance rights were vested. The accounting expense for the LTI Plan had been recognised in previous financial years.

Exempt Plan

In February 2020, PPK offered $1,000 worth of fully paid PPK ordinary shares to employees of PPKMEG for which they were restricted in selling, transferring or otherwise dealing with their shares for three years while they were employees of PPKMEG. This restrictions were removed with the demerger of PPKMEG from PPK on 29 June 2022. PPKMEG incurred an accounting expense of $71,833 in this financial year for the Exempt Plan.

NOTE 5 CASH FLOW INFORMATION

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

		Consolidated Entity	
	Notes	2022 $000	2021 $000
Profit (loss) after income tax		(1,034)	(4,742)
Cash flows in operating activities but not attributable to operating result:			
Amortisation	15.1	71	70
Depreciation	15.1	2,517	2,322
Share based payments expense	5	72	46
Management fees		-	4,000
Impairment of assets		2,127	86
Impairment of intangibles		41	-
Loss on sale of fixed assets		-	90
Reversal of government grant relating to COVID-19		50	-
Changes in assets and liabilities:			
Decrease (increase) in trade and other receivables		(677)	1,316
Decrease (increase) in prepayments		154	(198)
Decrease (increase) in inventories		(134)	(269)
(Decrease) increase in provisions		162	95
(Decrease) increase in trade creditors and accruals		1,202	(954)
Net cash (used in) provided by operating activities		4,551	1,862

NOTE 5 CASH FLOW INFORMATION (continued)

		Consolidated Entity	
		2022	2021
5.2 Reconciliation of Cash	**Notes**	**$000**	**$000**
For the purposes of the cash flow statement, cash includes:			
Call deposits with financial institutions		-	545
Overdraft with financial institution		(501)	-
		(501)	**545**

NOTE 6 INCOME TAX EXPENSE

(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)	(1,034)	(742)
Prima facie tax payable (benefit) at 25.0% (2021: 26.0%)	(258)	(193)
(Non-assessable income) non-deductible expenses		
Current year losses for which no deferred tax asset was recognised	258	(193)
Income tax expense (benefit)	-	-
The applicable weighted average effective tax rates are as follows:		
(b) The components of tax expense comprise:		
Current tax	-	-
Deferred tax	-	-
Income tax expense (benefit)	-	-
(c) Recognised in the Statement of Financial Position		
Deferred tax assets – temporary differences	320	1,283
Deferred tax liabilities - temporary differences	(320)	(1,283)
Total	-	-
(d) Not recognised in the Statement of Financial Position		
Unrecognised deferred tax assets/deferred tax liabilities		
Tax losses(2)	1,194	-
Temporary differences	210	-
Total	1,404	-
Movements		
Opening balance	-	-
Tax losses not recognised current year	1,194	-
Temporary differences not recognised current year	210	-
Closing balance	1,404	-

(1) For the previous financial year and for the period from 1 July 2021 to 29 June 2022, the Group was included in PPK's tax consolidated group, therefore, the tax expense was reported for PPK. After the demerger on 29 June 2022, the Group formed its own tax consolidated group and recognised the loss on 30 June 2022. The tax bases of assets and liabilities of the Group were reset using a consolidated accounts approach and separately calculating the allocatable cost amounts of each subsidiaries assets and liabilities.

(2) The unrecognised tax loss asset is based on the Group's estimated available tax losses in PPKMEG and its tax consolidated group. These losses are subject to the finalisation of 2022 statutory income tax returns. The benefit of these losses will only be available in future periods should the Group a) continue to comply with the requirements of relevant legislation to carry these losses forward; b) generate sufficient taxable income to utilise; and changes to relevant legislation do not cause the losses to be lost.

NOTE 7 AUDITORS' REMUNERATION

	Notes	Consolidated Entity 2022 $000	2021 $000
Remuneration of the auditor of the Company for Audit Services:			
Group audit fee per Financial Statements (including all subsidiaries)		73,000	35,000
Total fees for services provided		**73,000**	**35,000**

In the previous reporting period, PPKMEG was audited as part of the PPK group of companies and a separate audit report was not issued for the PPKMEG consolidated group of companies. PPKMEG and PPK Mining Equipment Pty Ltd were audited as stand-alone entities for the previous year as required by the Corporations Act 2001.

NOTE 8 PPKMEG KEY MANAGEMENT PERSONNEL REMUNERATION

8.1 Key management personnel remuneration

Short-term benefits	726,883	705,000
Share-based payments	-	158,758
Post-employment benefits	27,500	25,000
	754,383	**888,758**

The above table discloses remuneration paid to Directors by PPK Group Limited, a related party of PPKMEG, which included their remuneration for PPKMEG for the period from 1 July 2021 to 29 June 2022. Only $150,000 of these fees relating to D McNamara's role as the Executive Director of PPKMEG were re-charged to PPKMEG.

No remuneration was paid directly by PPKMEG to Directors during the reporting period.

8.2 Loans

There were no loans or advances to PPK's key management personnel or their related parties in the current financial or previous financial years.

NOTE 9 DIVIDENDS

There were no dividends paid or declared.

NOTE 10 PARENT ENTITY INFORMATION

The following detailed information relates to the parent entity, PPK Mining Equipment Group Limited at 30 June 2022. The information presented here has been prepared using consistent accounting policies as per Note 2.

	2022 $000	2021 $000	2020 $000
Current assets	-	-	-
Non-current assets	17,137	15,034	370
Total assets	17,137	15,034	370
Current liabilities	254	-	1
Non-current liabilities	2,000	18,867	3,962
Total liabilities	2,254	18,867	3,963
Net assets	14,883	(3,833)	(3,593)
Contributed equity	18,862	14	14
Reserves	-	129	368
Retained earnings	(3,979)	(3,976)	(3,975)
Total equity	14,883	(3,833)	(3,593)
Profit (loss) for the year (including impairments)	(3)	(1)	(2,357)
Other comprehensive income (loss) for the year	-	-	-
Total comprehensive income (loss) for the year	**(3)**	**(1)**	**(2,357)**

NOTE 11 CASH AND CASH EQUIVALENTS – CURRENT

	Consolidated Entity		
	2022	2021	2020
	$000	$000	$000
Cash at bank and on hand	386	545	974
Total	**386**	**545**	**974**

NOTE 12 TRADE AND OTHER RECEIVABLES -- CURRENT

Trade receivables	5,682	4,752	6,045
Less: allowance for expected credit losses	-	-	-
Total	**5,682**	**4,752**	**6,045**

Ageing Analysis	**Current**	**> 60 days**	**Total**
	$000	**$000**	**$000**
	5,565	**117**	**5,682**

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

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 87% of the cash inflows during the period for which the historical credit loss experience was determined and there were no historical losses during this period.
- the other customer segment includes smaller listed public companies, large private companies and the remaining customers that the Group provides goods and services. This customer segment represents 13% of the cash inflows during the period for which the historical credit loss experience was determined and there were no historical losses during this period.

A customer default is defined as a customer's failure to pay its debts. The last failure experienced by the Group was in October 2018. At 30 June 2022 no expected credit loss provision was determined to be required.

NOTE 13 CONTRACT ASSETS - CURRENT

Contract assets	**1,166**	**1,419**	**1,659**
Carrying amount at start of year	1,419	1,659	1,724
Consideration received for services rendered in the previous period	(1,419)	(1,659)	(1,724)
Revenue recognised for rendering services not yet received	1,166	1,419	1,659
Carrying amount at end of year	**1,166**	**1,419**	**1,659**

See Notes 2.12 and 2.23.

NOTE 14 INVENTORIES - CURRENT

Inventories	**13,590**	**11,427**	**10,594**
At net realisable value:			
Raw materials	963	581	565
Finished goods	3,839	6,501	5,833
Work in progress	8,788	4,345	4,196
	13,590	**11,427**	**10,594**

See Notes 2.13 and 2.23.

During 2022 $16.172M (2021: $15.148M) was recognised as an expense for inventories carried at net realisable value. This is recognised in cost of sales.

During the year, the Group transferred $4.156M from intangible assets to work in progress and had a $2.127M impairment provision (2021: $0.086M) for inventories.

NOTE 15 PROPERTY, PLANT AND EQUIPMENT – NON-CURRENT

	Consolidated Entity		
	2022	2021	2020
	$000	$000	$000
Land and buildings	1,500	1,500	-
Less: accumulated depreciation	(101)	(67)	-
	1,399	1,433	-
Plant and equipment – at cost	9,009	8,894	9,607
Less: accumulated depreciation and impairment	(6,831)	(6,033)	(5,840)
	2,178	2,861	3,767
Total property, plant and equipment	**3,577**	**4,294**	**3,767**

	Land & Buildings $'000	Plant & Equipment $'000	Total $'000
Consolidated – 2022			
Carrying amount at start of year	1,433	2,861	4,294
Revaluation	-	-	-
Additions	-	115	115
Disposals	-	-	-
Transfers	-	-	-
Depreciation and amortisation	(34)	(798)	(832)
Carrying amount at end of year	1,399	2,178	3,577
Consolidated – 2021			
Carrying amount at start of year	-	3,767	3,767
Revaluation	-	-	-
Additions	-	189	189
Disposals	-	(485)	(485)
Transfers	1,467	-	1,467
Depreciation and amortisation	(34)	(610)	(644)
Carrying amount at end of year	1,433	2,861	4,294
Consolidated – 2020			
Carrying amount at start of year	-	3,833	3,833
Revaluation	-	-	-
Additions	-	716	716
Disposals	-	(9)	(9)
Transfers	-	-	-
Impairment	-	(100)	(100)
Depreciation and amortisation	-	(673)	(673)
Carrying amount at end of year	-	3,767	3,767

15.1 Summary of depreciation and amortisation expense:

	Notes	2022 $000	2021 $000	2020 $000
Property, plant and equipment – depreciation	15	832	644	673
Right-of-use – depreciation	16	1,685	1,678	1,549
Total depreciation		2,517	2,322	2,222
Intangible assets – amortisation	17	71	70	26
Total depreciation and amortisation		2,588	2,392	2,248

NOTE 16 RIGHT-OF-USE ASSETS

	Consolidated Entity		
	2022 $000	2021 $000	2020 $000
Right-of-use assets – at cost	5,477	5,396	5,277
Less: accumulated depreciation and impairment	(5,011)	(3,327)	(1,649)
	436	**2069**	**3,628**
Consolidated			
Carrying amount at start of year	2,069	3,628	-
Revaluation	-	-	-
Additions	52	119	5,277
Disposals	-	-	-
Transfers	-	-	-
Depreciation & amortisation expense	(1,685)	(1,678)	(1,649)
Carrying amount at end of year	436	2,069	3,628

The Group has leases on its Tomago and Port Kembla properties, which expire on 31 July 2022, and leases on its motor vehicle fleet which expire in less than 12 months. The Group recognised expense from short-term leases of $0.318M for the period ended 30 June 2022 (2021: $0.359M).

NOTE 17 INTANGIBLE ASSETS – NON - CURRENT

Development costs - Mining equipment manufacturing - at cost	2,568	5,739	4,809
Less: Accumulated amortisation and impairment	(2,358)	(2,287)	(2,217)
Carrying amount at end of year	**210**	**3,452**	**2,592**
(Amortisation costs are included in costs of goods sold)			
Development Costs			
Balance at beginning of year	3,452	2,592	1,578
Additions	1,026	992	1,040
Disposals	-	-	-
Transfers	(4,156)	(62)	-
Amortisation expense	(71)	(70)	(26)
Impairment expense	(41)	-	-
Carrying amount at end of year	210	3,452	2,592
Not yet ready for use	-	3,305	2,592
Other	210	147	-
	210	3,452	2,592

NOTE 18 TRADE AND OTHER PAYABLES – CURRENT

Trade payables – unsecured	2,887	2,236	2,933
Contract liabilities – unsecured	559	411	-
Bank overdraft	887	-	-
GST payables	247	3	-
Payable to a related party	11	-	-
Sundry payables and accruals – unsecured	1,008	731	1,359
Total	**5,599**	**3,381**	**4,292**

NOTE 19 PROVISIONS

Current			
Annual leave	1,249	1,125	1,122
Long service leave	501	432	334
Total current	**1,750**	**1,557**	**1,456**
Non-Current			
Long service leave	220	251	257
Make good	40	40	40
Total Non-current	**260**	**291**	**297**

NOTE 19 PROVISIONS (continued)

Annual leave and current long service leave comprise amounts payable that are vested and could be expected to be settled within 12 months of the end of the reporting period.

Non-current long service leave comprises amounts that are not vested at the end of the reporting period and the amount and timing of the payments to be made when leave is taken is uncertain.

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

NOTE 20 LOAN FROM A RELATED PARTY

	Consolidated Entity		
	2022 $000	2021 $000	2020 $000
Interest bearing loan from a related party - unsecured	2,000	-	-
Non-interest bearing loan from a related party - unsecured	-	23,496	38,149
Total	**2,000**	**23,496**	**38,149**

In previous years, PPK has provided non-interest bearing unsecured loans to PPKMEG. As a consideration of the demerger of PPKMEG from PPK, PPK converted $20.847M of the loan outstanding at that time into 89,231,601 shares in PPKMEG (Note 24.2) and the outstanding loan of $2.000M, after the conversion, was provided as an interest bearing unsecured loan. Interest is fixed for the period of the loan at 4.52%, capitalised monthly against the loan, and due for repayment on 30 June 2024.

NOTE 21 SHARE CAPITAL

21.1 Issued capital

89,289,293 (2021: 57,692, 2020: 57,692) ordinary shares fully paid	**20,861,625**	**14,423**	**14,423**
Movements in ordinary share capital			
Balance at the beginning of the financial year	14,423	14,423	14,423
Shares issued as payment of a debt owing to PPK Group Limited	18,847,202	-	-
Total	**18,861,625**	**14,423**	**14,423**

21.2 Share movements

Movements in number of ordinary shares:	**No. of Shares**	**No. of Shares**	**No. of Shares**
Balance at the beginning of the financial year	57,692	57,692	57,692
New shares issued	89,231,601	-	-
Total	**89,289,293**	**57,962**	**57,962**

PPKMEG issued 89,231,601 shares to PPK at $0.211216 per share to convert the loan owing to PPK of $18.,847M, after converting $2.000M to an interest bearing unsecured loan (Note 23). These shares were issued to facilitate the 2.81 cent per share special ordinary dividend and the 15.11 cent per share return of capital made by PPK which was fully satisfied by each PPK shareholder receiving an in specie distribution of 1 share in PPKMEG for every share they held in PPK (other than foreign shareholders).

The shares have no 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.

21.3 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 its profitability to provide a future return for its 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 its 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 its long-term operational and strategic objectives.

NOTE 21 SHARE CAPITAL (continued)

For the 2022 financial year, the Group's policy is to maintain its gearing ratio within the range of 10% - 30% (2021: 0% - 20%). The Group's gearing ratio at the balance sheet date is shown below:

		Consolidated Entity	
	2022 $000	2021 $000	2020 $000
Gearing Ratios			
Total borrowings	2,000	23,496	38,149
Less cash and cash equivalents	-	545	974
Add bank overdraft	501	-	-
Net debt (cash surplus)	2,501	22,951	37,175
Total equity	15,616	(2,197)	(17,989)
Total capital	15,616	(2,197)	(17,989)
Gearing ratio	16%	0%	0%

The gearing ratio is calculated excluding lease liabilities.

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

NOTE 22 RESERVES

Reserves			
Performance rights reserve	-	129	368
Asset revaluation reserve	-	350	-
	-	**479**	**368**
Movement in reserves			
22.1 Performance rights reserve			
Balance at beginning of year	129	368	195
Issue of performance rights	-	106	173
Exercise of performance rights	-	(345)	-
Issue of share capital by PPK for LTI Plan	(129)	-	-
Carrying amount at end of year	-	129	368
22.2 Asset revaluation reserve			
Balance at beginning of year	350	-	-
Transfer of assets from a related party	-	350	-
Unwinding on demerger	(350)	-	-
Carrying amount at end of year	-	350	-

NOTE 23 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 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	Non-Interest Bearing $000	Total $000
Consolidated 2022							
Financial assets							
Receivables	0.0%	12	-	-	-	5,682	5,682
Contract assets	0.0%	13	-	-		1,166	1,166
Total financial assets			-	-	-	6,848	6,848
Financial liabilities							
Interest-bearing loans	4.5%	20	-	-	2,000	-	2,000
Trade and other payables	0.0%	18	-	-	-	4,586	4,586
Lease liabilities	5.2%		-	300	21	-	321
Bank overdraft	5.0%	11	501	-	-	-	501
Total financial liabilities			501	300	2,021	4,586	7,408
Consolidated 2021							
Financial assets							
Receivables	0.0%	12	-	-	-	4,752	4,752
Contract assets	0.0%	13	-	-	-	1,419	1,419
Cash and cash equivalents	0.0%	11	-	-	-	545	545
Total financial assets			-	-	-	6,716	6,716
Financial liabilities							
Related party loans	0.0%	20	-	-	-	23,496	23,496
Trade and other payables	0.0%	18	-	-	-	3,510	3,510
Lease liabilities	5.2%		-	1,801	276	-	2,077
Total financial liabilities			-	276	1,801	27,006	29,083
Consolidated 2020							
Receivables	0.0%	12	-	-	-	6,045	6,045
Contract assets	0.0%	13	-	-	-	1,659	1,659
Cash and cash equivalents	0.0%	11	-	-	-	974	974
Total financial liabilities			-	-	-	8,678	8,678
Financial liabilities							
Related party loans	0.0%	20	-	-	-	38,149	38,149
Trade and other payables	0.0%	18	-	-	-	4,292	4,292
Lease liabilities	5.2%		-	888	793	-	1,681
Total financial liabilities			-	888	793	42,441	44,122

Financial risk management

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

NOTE 23 FINANCIAL INSTRUMENTS RISK (continued)

23.1 Credit risk

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

The Group also has a credit risk exposure in relation to cash at bank. The Group's policy is to ensure funds are invested with Tier 1 Australian banks thus minimising the Group's exposure to this credit risk. Refer to note 13 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 mainly paid in advance. The Group does not take forward cover or hedge its risk exposure.

23.2 Liquidity risk

Liquidity risk is the risk that 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 available funding facilities and cash flow forecasts. Details of the Group's financing facilities are set-out in Notes 20 and 27.

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 2022						
Financial liabilities (current & non-current)						
Bank overdraft	887	887	-	-	-	887
Trade and other payables	4,712	4,712	-	-	-	4,712
Interest-bearing loan	2,000	-	-	2,000	-	2,000
Lease liabilities	321	300	-	21	-	321
Total financial liabilities	7,920	5,899	-	2,021	-	7,920
Consolidated 2021						
Financial liabilities (current & non-current)						
Trade and other payables	3,381	3,381	-	-	-	3,510
Non-interest-bearing loan	23,496	-	23,496	-	-	23,496
Lease liabilities	2,077	901	900	276	-	2,077
Total financial liabilities	29,954	4,282	24,396	276	-	29,954
Consolidated 2020						
Financial liabilities (current & non-current)						
Trade and other payables	4,292	4,292	-	-	-	4,292
Non-interest-bearing loan	38,149	-	38,149	-	-	38,149
Lease liabilities	1,681	444	444	793	-	1,681
Total financial liabilities	44,122	4,736	38,593	793	-	44,122

NOTE 24 CONTINGENT ASSETS AND LIABILITIES

The Group's guarantees and indemnities include:

- a finance facility up to a maximum of $4.000M from a major Australian bank, secured against the debtors, and secured by a guarantee and indemnity from PPKMEG's subsidiaries;
- and a finance facility for $4.000M from a major Australian bank and a credit card facility for $0.100M with a general security agreement over all of the present and future rights, property and undertaking of PPK Mining Equipment Group Limited, PPK Mining Equipment Pty Ltd, PPK Properties Pty Ltd and PPK (IP) Pty Ltd and a guarantee and indemnity for $8.100 million given to PK Mining Equipment Group Limited, PPK Properties Pty Ltd and PPK (IP) Pty Ltd.
- the lease motor vehicle fleet provider has a guarantee and indemnity from PPKMEG and PPK for the run-off of the existing leased motor vehicle fleet in the amount of $0.274M.

As previously disclosed, PPK and PPKMEG continue to jointly 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. That trial has now concluded and PPK and PPKMEG are currently waiting for judgment to be handed down.

NOTE 25 RELATED PARTIES

For details on transactions between related parties refer to Notes 4, 8, 20, 22, 24 and 27.

24.1 PPK Group Limited (PPK)

PPK is considered a related party under the Corporations Act 2001 until 29 December 2022._The remuneration for directors of PPK are borne by PPK and only D McNamara's fees for his role as the Executive Director of PPKMEG are re-charged to PPKMEG. Details of the nature and amount of each element of the remuneration of each director for 2022 and 2021 are shown in the tables below:

	Short Term Benefits								
	Salary & Fees	Cash Bonus	Non-Monetary	Post-employment Super-annuation	Long Term Benefits	Termination Payments	[1]Share Based Payments	Total	Performance Related
2022	**($)**	**($)**	**($)**	**($)**	**($)**	**($)**	**($)**	**($)**	**%**
Directors									
Non-Executive									
A McDonald	75,000	-	-	-	-	-	-	75,000	-
Executive							-		
R Levison	211,883	-	-	27,500	-	-	-	239,383	-
G Molloy	240,000	-	-	-	-	-	-	240,000	-
D McNamara[1]	200,000	-	-	-	-	-	-	200,000	-
Total Directors	726,883	-	-	27,500	-	-	-	754,383	-

(1) D McNamara's fees as an Executive Director of PPKMEG of $150,000 are paid by PPK and re-charged to PPKMEG. D McNamara has use of a fully maintained motor vehicle.

2021									
Directors									
Non-Executive									
A McDonald	50,000	-	-	-	-	-	88,057	138,057	64
Executive							-		
R Levison	215,000	-	-	25,000	-	-	-	240,000	-
G Molloy	240,000	-	-	-	-	-	-	240,000	-
D McNamara[2]	200,000	-	-	-	-	-	70,701	270,701	26
Total Directors	705,000	-	-	25,000	-	-	158,758	888,758	-

(3) Equity settled share based payments. Performance rights granted are expensed over the performance period, which includes the year to which the bonus relates and the subsequent vesting period of rights. All performance rights fully vested on 1 July 2021.

(4) D McNamara's fees as an Executive Director of PPKMEG of $150,000 are paid by PPK and re-charged to PPKMEG. D McNamara has use of a fully maintained motor vehicle..

NOTE 25 RELATED PARTIES (continued)

As at the end of the financial year, the number of ordinary shares in PPK held by directors during the 2022 and 2021 reporting periods is set out below:

2022	Share Balance at Start of Year	Shares Transferred from PPK LTIP	Shares Acquired	Shares Acquired	Shares Sold	Adjust for Director Ceasing in the Year	Shares Held at the End of the Reporting Period
Directors							
Non-Executive							
A McDonald	409,120	-	-	-	-	-	409,120
Executive							
R Levison (1)	4,100,153	-	-	-	(50,000)	-	4,050,153
G Molloy (2) (3)	14,468,121	-	50,000	7,014,866	(255,000)	-	21,277,987
D McNamara (4)	3,043,332	400,000	-	-	-	(3,443,332)	-
Total Directors	22,020,726	400,000	50,000	7,014,866	(305,000)	(3,443,332)	25,737,260

(1) Shares sold to a family member.
(2) Share movement of 7,014,866 was as a result of appointment as a Trustee from a Trust.
(3) Share movement of 255,000 was as a result of retirement as a Trustee from a Trust.
(4) Removes D McNamara share holding as he ceased to be a Director during the year.

2021	Share Balance at Start of Year	Shares Issued via PPK's In-specie Dividend	Shares Acquired	Shares Sold	Shares Held at the End of the Reporting Period	Service Rights Granted During the Reporting Period	Total Securities Held at the End of the Reporting Period
Directors							
Non-Executive							
A McDonald	-	166,961	700,000	-	866,961	480,000	1,346,961
Executive							
R Levison	-	1,576,917	1,200,000	-	2,776,917	480,000	3,256,917
G Molloy	-	5,640,784	800,000	-	6,440,784	-	6,440,784
D McNamara	-	1,247,384	200,000		1,447,384	-	1,447,384
Total Directors	-	8,632,046	2,900,000	-	11,532,046	960,000	12,492,046

As at the end of the financial year, the number of Performance Rights in PPK held by directors during the 2022 reporting period is set out below:

2022	**Executive Rights Plan**									
Name and Grant Dates	**Balance at Start of the Year**		**Granted During Year**	**Vested**		**Exercised**	**Forfeited**		**Balance at End of Year Unvested**	
	Vested	Unvested	No.	No.	%	No.	No.	%	No.	Maximum $ value to vest(1)
D McNamara										
Tranche 1	100,000					(100,000)				
Tranche 2	100,000					(100,000)				
Tranche 3	100,000					(100,000)				
Tranche 4	100,000					(100,000)				
A McDonald										
Tranche 1	12,500					-				
Tranche 2	12,500					-				
Tranche 3	12,500					-				
Tranche 4	12,500					-				

(1) The performance rights fully vested on 1 July 2021.

NOTE 25 RELATED PARTIES (continued)

24.2 Li-S Energy Limited (LIS)

LIS is a controlled entity of PPK and is considered a related party under the Corporations Act 2001 until 29 December 2022. The details of the nature and amount of each element of the remuneration of each director for 2022 and 2021 are shown in the tables below:

2022	Short Term Benefits Salary & Fees ($)	[2]Cash Bonus ($)	Non-Monetary ($)	Post employment Super-annuation ($)	Long Term Benefits ($)	Termination Payments ($)	[1]Share Based Payments ($)	Total ($)	Performance Related %
Directors									
Non-Executive									
R Levison	-	-	-	-	-	-	157,122	157,122	-
A McDonald	-	-	-	-	-	-	157,122	157,122	-
Total Directors	-	-	-	-	-	-	314,244	314,244	-
Other KMP									
G Molloy[3]	196,000	-	-	-	-	-	-	196,000	-
Total Other	196,000	-	-	-	-	-	-	196,000	-
Total KMP	196,000	-	-	-	-	-	314,244	510,244	-

(1) Equity settled share based payments. Each tranche of the service rights granted are expensed over the vesting period from the date of granting to the date that the last tranche vests resulting in a proportionally larger expense recognised in the earlier years.
Share based payments for directors are not performance related but are in lieu of salary and fees.
(2) Cash bonuses for the current year are assessed by the Board after completion of the financial statements, hence, are nil for this financial year.
(3) Remunerated through a consulting agreement on 12 June 2021 at an agreed hourly rate for w ork undertaken on behalf of LIS.

2021	Short Term Benefits Salary & Fees ($)	[3]Cash Bonus ($)	Non-Monetary ($)	Post employment Super-annuation ($)	Long Term Benefits ($)	Termination Payments ($)	[1]Share Based Payments ($)	Total ($)	Performance Related %
Directors									
Non-Executive									
R Levison[2]	16,667	100,000	-	-	-	-	24,444	141,111	71
A McDonald[2]	16,667	200,000	-	-	-	-	24,444	241,111	83
Total Non-Executive	33,334	300,000	-	-	-	-	48,888	382,222	
Executive									
G Molloy[2]	16,667	400,000	-	-	-	-	-	416,667	96
Total Executive	16,667	400,000	-	-	-	-	-	416,667	96
Total Directors	50,001	700,000	-	-	-	-	48,888	798,889	

(1) Equity settled share based payments. Each tranche of the service rights granted are expensed over the vesting period from the date of granting to the date that the last tranche vests resulting in a proportionally larger expense recognised in the earlier years.
(2) Salary & Fees include directors fees paid from 1 July 2020 to 30 April 2021 and consulting fees paid from 14 February 2021 to 30 June 2021.
(3) Cash bonus w as paid for w ork undertaken in relation to the Li-S Energy IPO and w as above normal w ork responsiblities. Bonuses w ere invested in shares in Li-S Energy in off-market-transfers at $0.50 per share.

NOTE 25 RELATED PARTIES (continued)

As at the end of the financial year, the number of ordinary shares in LIS held by directors during the 2022 and 2021 reporting periods is set out below:

2022	Share Balance at Start of Year	Shares Acquired	Shares Sold	Share Balance at End of Year
Directors				
Non-Executive				
R Levison	2,776,917	13,632	-	2,790,549
A McDonald	866,961	-	-	866,961
Total Directors	3,643,878	13,632	-	3,657,510
Other KMP				
G Molloy(1)	6,440,784	-	-	6,440,784
Total Other	6,440,784	-	-	6,440,784
Total KMP	10,084,662	13,632	-	10,098,294

(1) Entered into a consulting agreement on 12 June 2021.

2021	Share Balance at Start of Year	Shares Issued via PPK's In-specie Dividend	Shares Acquired	Shares Sold	Share Balance at End of Year
Directors					
Non-Executive					
R Levison	-	1,576,917	1,200,000	-	2,776,917
A McDonald	-	166,961	700,000	-	866,961
Total Non-Executive	-	1,743,878	1,900,000	-	3,643,878
Executive					
G Molloy(1)	-	5,640,784	800,000	-	6,440,784
Total Executive	-	5,640,784	800,000	-	6,440,784
Total Directors	-	7,384,662	2,700,000	-	10,084,662
Total KMP	-	7,384,662	2,700,000	-	10,084,662

(1) Resigned as a Director on 11 June 2021.

As at the end of the financial year, the number of Service Rights in LIS held by directors during the 2022 and 2021 reporting period is set out below:

2022	Balance at Start of Year(1)	Granted During the Year	Vested		Exercised	Forfeited		Vested & Unexercised	Balance at End of Year Unvested	
	Unvested	Unvested	No	%	No	No	%	No	No	Maximum $ Value to Vest(2)
Directors										
R Levison	480,000	-	160,000	100%	-	-	-	160,000	320,000	64,251
A McDonald	480,000	-	160,000	100%	-	-	-	160,000	320,000	64,251
Total Directors	960,000	-	320,000		-	-	-	320,000	640,000	128,502

(1) There were nil vested and unexercised rights at the beginning of the year.

(2) The maximum value of service rights to vest has been calculated as the amount of the grant date fair value of the service rights yet to be expensed.

NOTE 25 RELATED PARTIES (continued)

2021	Balance at Start of Year	Granted During the Year	Vested		Exercised	Forfeited		Vested & Unexercised	Balance at End of Year Unvested	
	Vested	Unvested	No	%	No	No	%	No	No	Maximum $ Value to Vest[1]
Directors										
R Levison	-	480,000	-	-	-	-	-	-	480,000	240,000
A McDonald	-	480,000	-	-	-	-	-	-	480,000	240,000
Total Directors	-	960,000	-	-	-	-	-	-	960,000	480,000

(1) The maximum value of service rights to vest has been calculated as the amount of the grant date fair value of the service rights yet to be expensed.

24.3 White Graphene Limited (WGL)

WGL is a controlled entity of PPK and is considered a related party under the Corporations Act 2001 until 29 December 2022. The details of the nature and amount of each element of the remuneration of each director for 2022 and 2021 are shown in the tables below:

	Short Term Benefits								
	Salary & Fees	(1)Cash Bonus	Non-Monetary	Post employment Super-annuation	Long Term Benefits	Termination Payments	Share Based Payments	Total	Performance Related
2022	**($)**	**($)**	**($)**	**($)**	**($)**	**($)**	**($)**	**($)**	**%**
Directors									
R Levison	20,000	100,000	-	-	-	-	-	120,000	83
G Molloy	20,000	400,000	-	-	-	-	-	420,000	95
A McDonald	20,000	100,000	-	-	-	-	-	120,000	83
Total Directors	60,000	600,000	-	-	-	-	-	660,000	
Other KMP									
K Hostland	-	100,000	-	-	-	-	-	100,000	100
Total Other	-	100,000	-	-	-	-	-	100,000	
Total	60,000	700,000	-	-	-	-	-	760,000	

(1) The cash bonus was for services provided during the reporting period by each KMP working extended hours in connection with their involvement in a pre IPO process which fall outside their normal roles and duties. The KMPs reinvested the cash bonus into the capital raise in the year and the payments are included in professional fees in the statement of profit or loss and other comprehensive income. The IPO was deferred due to changes in investment markets this calendar year. These amounts are included in professional fees in the Statement of Profit or Loss.

	Short Term Benefits								
	Salary & Fees	Cash Bonus	Non-Monetary	Post employment Super-annuation	Long Term Benefits	Termination Payments	Share Based Payments	Total	Performance Related
2021	**($)**	**($)**	**($)**	**($)**	**($)**	**($)**	**($)**	**($)**	**%**
R Levison	16,667	-	-	-	-	-	-	16,667	-
G Molloy	16,667	-	-	-	-	-	-	16,667	-
A McDonald	16,667	-	-	-	-	-	-	16,667	-
Total Directors	50,001	-	-	-	-	-	-	50,001	-

NOTE 25 RELATED PARTIES (continued)

As at the end of the financial year, the number of ordinary shares in WGL held by directors during the 2022 and 2021 reporting periods is set out below:

2022	Share Balance at Start of Year	(1)Shares Acquired	Shares Sold	Shares Held at the End of the Reporting Period
Directors				
R Levison	250,000	250,000	-	500,000
G Molloy	-	1,000,000	-	1,000,000
A McDonald	-	250,000	-	250,000
Total Directors	250,000	1,500,000	-	1,750,000

(1) Shares w ere acquired at $0.40 per share as part of the capital raise process.

There were no Service Rights in LIS held by directors during the 2022 reporting period.

NOTE 26 INVESTMENTS IN SUBSIDIARIES

	Country of Incorporation	Notes	Percentage Owned	
Subsidiaries of PPK Mining Equipment Group Limited:			**2022 %**	**2021 %**
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	26.1	100%	-

26.1 PPK Mining Equipment Plans Pty Ltd was incorporated on 13 June 2022 and is the Trustee for the PPK Mining Equipment long term incentive plan.

NOTE 27 EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

Leases

In July 2022, the Group signed the lease extension for the properties at Tomago and Port Kembla for 5 years to 31 July 2027.

The Group extended the existing lease agreement with its current motor vehicle fleet provider for a further 12 months, renewing as each individual lease expires. The Group has provided a guarantee and indemnity to the lessor.

Finance Facilities

On 11 July 2022, the Group entered into agreements with a major Australian bank for the following facilities:

- Corporate Market Loan of $4.000M – to be used for working capital purposes with an expiry date of 31 August 2023. The facility has not been drawn down.
- Credit Cards facility of $0.100M.

NOTE 27 EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD (continued)

For the above facilities, the Group has given a general security agreement over all of the present and future rights, property and undertaking of PPK Mining Equipment Group Limited, PPK Mining Equipment Pty Ltd, PPK Properties Pty Ltd and PPK (IP) Pty Ltd and a guarantee and indemnity for $8.100M given to PK Mining Equipment Group Limited, PPK Properties Pty Ltd and PPK (IP) Pty Ltd.

- Bank Guarantee of $0.520M – to be used for working capital purposes as security for the property leases, with an expiry date of 31 August 2023. The bank guarantee is secured against term deposits of the same or similar amounts.

In August 2022, the Group's $4.000M finance facility from a major Australian bank was extended for a further year and the guarantee and indemnity previously provided by PPK was terminated.

Purchase of Assets

On 15 July 2022, PPKMEG purchased the assets from a competitor for $9.357M. The purchase included inventory, plant and equipment, customer lists, intellectual property, equipment leases, property leases, freehold properties and assumed ongoing contracts with customers.

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

PPKMEG has assessed the purchase of the assets and offer of employment to the employees of the former company as a Business Combination under AASB 3 *Business Combinations* with the effective date of 15 July 2022. The acquisition accounting is provisional financial information and will be disclosed at the 30 June 2023 financial year end.

The summarised financial information is provided below:

Summarised Statement of Financial Position	$000
Inventory	4,364
Work-in-progress	518
Hire equipment	7,500
Plant and equipment	226
Land and buildings	406
Total assets purchased	13,014
Employee entitlements	(700)
Deferred tax liability	(779)
Net identifiable assets	11,535
Purchase price	(9,200)
Gain from a bargain purchase	2,335

The purchase of these assets were financed by loans of $8.600M, secured against the following assets:

Financier	Amount $000	Security Provided
PPK Group Limited(1)	600	Secured against the inventory purchased from the competitor
Li-S Energy Limited(1)	1,400	Secured against the property at Mt Thorley, NSW
Shareholder Related Financier(1)	3,000	Secured against identified assets purchased from the competitor
Director Related Financier(2)	3,600	Secured against identified assets purchased from the competitor

(5) Includes a minimum interest charge of six months.
(6) Includes three months interest paid upfront and a $0.025M establishment fee.

All loans are for a period of 12 months at 8.0% interest paid monthly in advance.

DIRECTORS' DECLARATION

FOR THE YEAR ENDED 30 JUNE 2022

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 2022 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 that the consolidation financial statements also comply with International Financial Reporting Standards.

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

ROBIN LEVISON **Chairman**	**DALE MCNAMARA** **Executive Director**

Dated this 30th day of November 2022

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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 2022, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a. Giving a true and fair view of the consolidated financial position of the Group as at 30 June 2022 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 that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

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

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

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

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

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

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

- 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

Brad Tozer

Brad Tozer
Partner
Brisbane
30 November 2022