ASX ANNOUNCEMENT

FOR IMMEDIATE RELEASE TO THE MARKET

PPK Group Limited – ASX Code: PPK

Thursday 27 August 2020

Preliminary Final Report and Annual Report to Shareholders

Please find attached our Preliminary Final Report and Annual Report to Shareholders – Year Ended 30 June 2020.

Authorised by the Board.

For further information contact:

Robin Levison
Executive Chairman of PPK Group Limited
On 07 3054 4500

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ABN: 65 003 964 181

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ASX Announcement

Appendix 4E – Preliminary final report

This information should be read in conjunction with PPK Group Limited's 30 June 2020 Annual Report.

Name of Entity

PPK Group Limited

ABN

65 003 964 181

Results for announcement to the market		AUD $M
Revenue from ordinary activities	No change	41.102
Profit from ordinary activities after tax from continuing operations	Up 362% to	8.314
Profit after tax attributable to the owners of PPK Group Limited	Up 359% to	8.269

Dividend information	Amount per share	Franked amount per share
Interim – ordinary	1 cent	1 cent
Final - ordinary	1 cent	1 cent

Ex-dividend date of final dividend	14 October 2020
Record date of final dividend	15 October 2020
DRP election date	16 October 2020
Payment date of final dividend	20 November 2020

The Dividend Reinvestment Plan ("DRP") remains available and will be offered to shareholders at a price determined by the 5 day volume weighted average price of shares traded on the ASX before the DRP election day. A 5% discount applies to the DRP.

A 1 cent interim and a 1 cent final dividend were paid for the 30 June 2019 financial year.

Net tangible asset backing

Net tangible asset backing per ordinary share is 55.51 cents (previous corresponding period 34.74 cents)

Audit

This report is based on financial statements which have been audited.

Commentary on results for the period

A commentary on the results for the period is contained in the Annual Report that accompanies this announcement.

Annual General Meeting

The Annual General Meeting is to be held on Tuesday 24 November 2020. Nominations from persons wishing to be considered for election as a director will close Tuesday 6 October 2020.

ANNUAL REPORT

2020

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EXECUTIVE CHAIRMAN'S REPORT

In March 2019, **PPK Group Limited** (PPK) acquired a 50% interest in **BNNT Technology Pty Ltd** (BNNTPL), with the other 50% ownership held by Deakin University and associated scientists. This acquisition has been transformative for PPK and presents our company with enormous potential in the production of Boron Nitride Nanotubes (BNNT), an innovative material which can in turn be a game changer for a large number of industries.

The BNNT investment led to the 2020 financial year being a very rewarding year with significant progress being made to reposition PPK as a technology commercialisation business in both a number of new technology and mining sectors. The actual production of high quality 99% pure BNNT, along with the advancement of the Li-S Energy Limited battery project and PPK's ongoing joint venture relationship with Deakin University (Deakin) have created a step change in future opportunities for PPK.

Over the last 24 months the PPK Board has deliberately set about repositioning the company into a technology commercialisation business. We have achieved this change by implementing the following strategies that have been partially executed to date:

- The executing of a 2-year program that has involved significant investment in the non-mining space by entering into Joint Ventures with Deakin University
- Vertically integrating the production of high purity BNNT into end markets such as Lithium Sulphate battery technology, 3D dental technology, Ballistic Armor, Ballistic Glass and other blended or composite material products
- Believing we can build a second business around high quality BNNT related opportunities which we don't yet believe investors have been exposed to the scale of the innovation and the potential for exponential growth
- Continuing to lift investment in technology commercialisation via internal investment in our Original Engineering Manufacturer (OEM) and mining services business which builds on the solid mining services revenues that the company enjoys from its large multi-national and local mining customers
- Implementing a review to maximise value for all PPK shareholders by potentially separating the PPK Mining business from the BNNT related activities of PPK. The review is broad ranging and includes considering a separate ASX listings, co-ventures, merger, and whole or partial disposal.
- Creating the opportunity for an ASX listing of Li-S Energy Limited, the 58% PPK owned Lithium Sulphur battery project.

BUSINESS OVERVIEW

As outlined in my change strategy summary above, your directors and management have incurred considerable time and cost in developing a technology focus for both BNNT related activities and the existing mining unit. I am very pleased at the progress that has been made this year. With the acquisition of BNNT Technology Limited we have made significant progress with four initial BNNT application projects that are at various stages of research and/or development and I would like to take the opportunity to provide an update on each.

BNNT TECHNOLOGY LIMITED (BNNTTL)

In an ASX announcement on 10 June 2020 PPK restated its three strategies for BNNTTL:

Firstly, is to produce BNNT in pure grade and in commercial quantities. In that same ASX announcement PPK was able to say that we had achieved production of BNNT at 99% purity using a single furnace. We are not aware of another company achieving these results globally and we achieved it in just over 12 months.

Manufacturing design innovation continues and additional equipment has been acquired in order to facilitate a move to a multi-furnace configuration in a semi-automated process which our scientists and engineers believe will increase our single shift production significantly. We can then scale to demand by increasing the number of shifts and/or the number of production units. The ultimate goal is to develop a continuous production process that will operate 24 x 7.

Secondly, to supply BNNT to select parties as the manufacturers of products into which BNNT may be blended or infused. BNNT has multiple attractions because of its immense strength, lightness, conductivity and radiation qualities.

Thirdly, and the most exciting is the upstream opportunities where PPK can identify and partner with application or industry leaders to blend or infuse BNNT into their products to enhance or create new products. In doing so, PPK retains a financial interest in the new entity with multiple opportunities to generate future revenues.

To date, PPK has three upstream applications in progress with Deakin University as its partner to provide ongoing research and development. The three are summarised following.

LI-S ENERGY LIMITED (LI-S ENERGY)

The purpose of this project is to develop BNNT as a nano-insulator in lithium sulphur batteries to significantly increase the energy density capability, lower re-charge times, increase discharge/charge cycles while addressing existing stability and safety issues relating to the use of lithium ion batteries in general. This advancement of a lithium sulphur battery project has been underway at Deakin University for some six years and since the introduction of BNNT positive progress has been made during recent months.

Li-S Energy is an unlisted public company that undertook a $3.250M capital raising in June/July 2020. It was oversubscribed and the pricing valued Li-S Energy at more than $35.000M. PPK's holds a 58% interest in Li-S Energy post that capital raising. This alone demonstrates the significant value PPK can generate from these BNNT application ventures.

At the same time as the capital raising, an opportunity was presented to Li-S Energy to acquire an interest in Zeta Energy LLC, a Delaware limited liability company that is itself in a pre-IPO period. Li-S Energy agreed to issue 2.0% of its share capital (pre Li-S Energy's capital raise) to Zeta Energy and receiving 2.0% of the non-voting limited liability interest in Zeta Energy (pre-IPO capital raise). Li-S Energy made a further cash investment of $500,000 in the company for a total investment of circa 2.4% of Zeta Energy. Zeta Energy was valued at US$70M prior to its capital raise, so valuing the investment by Li-S Energy at US$1.730M.

Zeta Energy is developing battery technology developed at Rice University in Houston, Texas. Its battery uses a hybrid anode created from graphene and carbon nanotubes. Zeta Energy is in the prototype development stage aiming to build a low volume pilot facility and targets commercial sales within the next 2 years thereafter.

3D DENTAL TECHNOLOGY LIMITED

The purpose of this project is to infuse BNNT into nanocomposites with frequently used dental materials including zirconia, lithium disilicate, alumina and ceramic composite resins. Based on the fabrication of BNNT in the molecular matrix to manufacture advanced dental applications commonly used in prosthetic and implant dentistry (ie inlays, onlays, veneers, crowns, bridges) it is expected to lower the risk of implant failure, smaller configurations and more fracture resistant.

The project has been scoped and research and development agreements are being finalised, a funding grant applied for and International (PCT) Patent Applications having been filed.

Success in this project could be substantial as it is estimated that the size of the implants and prosthetics global market is US$4.6 Billion in 2019.

PPK has a 45% interest in 3D Dental Technology Limited.

CRAIG INTERNATIONAL BALLISTICS (CIB) & BALLISTIC GLASS PTY LTD

PPK holds a 45% interest in CIB, having purchase that interest in the year being reported.

The BNNT project is to infuse BNNT in bullet resistance glass so as to improve resistance at a lower weight. Cost savings are potentially significant. The project is working with two separate industry specialists seeking alternative solutions from different directions with the results that we may have two or more new products available to market.

PPK MINING EQUIPMENT (PPKME)

The mining equipment business is considered an essential business to support the energy sector and we have continued providing services but at lower revenues, reduced margins and higher costs in recent months. At the end of February 2020, our revenues and EBITDA were higher than the previous period but the COVID-19 impact was quickly felt, predominantly in the Hunter Valley. The slowdown of economic growth, mainly in China, resulted in a significant reduction in metallurgical coal prices as demand reduced leading to our customers reducing their production and costs. Despite this, the mining equipment business has achieved a positive EBITDA each month in the past financial year.

SHAREHOLDER SUPPORT

PPK diversified its shareholder base by issuing 2M shares in October 2019 to a small group of institutional investors at $4.25 per share, raising $8.500M. The funds received were used to finance the initial BNNT application ventures, to acquire Craig International Ballistics and for working capital.

The total number of shareholders has almost doubled since the last financial year to more than 2,800 - we are very thankful for the support we received from our current and new shareholders.

We are also pleased to be able to again issue a final dividend of $0.01 per share fully franked and continue with the dividend reinvestment plan.

FINANCIAL RESULTS

PPKME

The profit from this business unit was $2.676M (FY2019: $3.765M), a decrease of $1.089M from the previous year. This was partially due to the increased warranty costs of $0.416M for the replacement of parts that have been re-engineered for better reliability and performance, these new part designs are standard features to the new CoalTram. We also made an accounting provision of $0.100M for a used CoalTram to write it down to realisable value which in the previous year was a reversal of an inventory impairment of $0.483M creating additional profit. Hence, despite the slowdown in the industry was a comparable result.

Revenues of $41.102M (2019: $40.932M) were on par with the previous year.

We continue to develop new technology and are completing the next model of the CoalTram with new features requested from our customers, and enhanced parts for longer life and durability.

In the 2019 Annual Report, we advised of the development of a modern and efficient twelve man battery electric vehicle (mantransporter) and are pleased this will be launched to the market shortly. This project went into development more than two years ago and further work is required to meet government regulatory approval but customers have indicated a keen interest of a battery electric vehicle for the underground coal industry. The man-transporter is also designed for more than just underground coal and should be applicable for use in the much larger hard rock area.

BNNT

The BNNTTL manufacturing plant has been built with total costs incurred for plant and equipment of more than $2.530M and further costs are being incurred to refine the manufacturing process. Production continues and inventory is being increased pending the sales pipeline opening up.

LI-S ENERGY

Li-S Energy has incurred $0.428M in development costs in relation to the Li-S battery project.

CIB

CIB revenues increased from $8.438M in 2019 to $11.296M in 2020, a 34% increase, leading to a significantly higher increase in after tax profit. As a result, PPK is expecting to receive a material dividend from CIB for the 2020 financial year once declared.

OUTLOOK

PPK has strengthened its financial position with current assets of $24.663M (2019: $21.747M) of which $13.327M (2019: $11.496M) is highly liquid, net working capital of $16.916M (2019: $13.235M), including cash of $2.309M, and net assets have increased by $23.929M to $54.193M (2019: $30.264M). All interest-bearing debt from the previous year has been paid out and the Group has a short-term undrawn finance facility up to a maximum of $4.000M from a major Australian bank.

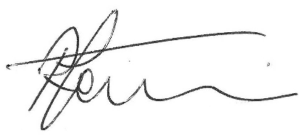
PPK is in a strong financial position and well poised to invest further in the both mining technology and exploit new and enhanced products using BNNT. We will continue to seek new customers for BNNT and open new ventures with partners that see the potential BNNT has to offer for their industries and products.

The OEM mining technology and equipment segment is also in a strong position within its industry and well positioned for when the metallurgical coal prices increase, and our customers increase coal production. We have new technologically advanced products coming to market which should generate additional revenue in the near future with an expectation that improvement in group revenues will bring about a return to overall group profitability in the 20-21 Financial Year.

To reiterate, the Board of PPK will continue to review PPK mining business position within the Group believing a separation of our BNNT commercialisation activities from our mining interests will allow us to maximise PPK Group shareholder value.

We see 2021 as a flagship year for PPK and I am excited, as the Executive Chairman, to have this opportunity.

PPK intends to hold its AGM on 24 Tuesday November 2020 and, in keeping with the current requirements, it will be via video conferencing. Further details will be provided and I look forward to your attendance on line.



Robin Levison
Executive Chairman

2020 FINANCIAL REPORT

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DIRECTORS' REPORT

Your directors present their report together with the financial statements of the consolidated entity, being PPK Group Limited and its controlled entities ("PPK" or the "Group") for the financial year ended 30 June 2020.

DIRECTORS

The names of directors in office at any time during or since the financial year are:

Robin Levison
Glenn Robert Molloy
Graeme Douglas Webb
Dale William McNamara
Anthony John McDonald

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

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 62)
Executive Chairman

Member of the PPK Group Limited Board since 22 October 2013.
Member of the PPK Group Limited Audit Committee since 14 August 2017, resigned 25 January 2018.
Executive Chairman from 22 October 2013 to 29 April 2015 and re-appointed from 28 February 2016.
Non-Executive Chairman from 29 April 2015 to 28 February 2016.

Robin Levison has 19 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 PPK's associated unlisted companies Li-S Energy Limited, 3D Dental Technology Limited and an alternative Non-Executive Director of BNNT Technology Limited.

Robin holds a Masters 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:

- Founders First Limited, Non-executive Director & Chairman (Appointed: 17 December 2019)
- Eureka Group Holdings Limited, Non-executive Director & Chairman (Appointed: 24 December 2013, Resigned: 29 March 2018)

Glenn Molloy (Age 65)

Executive Director

Appointed Director and Chairman, 8 January 2019.
Member of the PPK Group Limited Board since listing on 21 December 1994.
Chairman of the PPK Group Limited Audit Committee since 14 August 2017.
Founder of the former entity Plaspak Pty Limited in 1979, appointed Executive Director in September 2009.
Glenn Molloy founded the former entity Plaspak Pty Ltd in 1979 and has acted as a director of PPK since that time. He has extensive experience on public company boards, and in advising publicly listed and private entities on commercial aspects of mergers, acquisitions and divestment activities. He is a Non-Executive Director of PPK's associated unlisted companies Li-S Energy Limited and 3D Dental Technology Limited and is Chairman of BNNT Technology Limited.

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

Graeme Webb (Age 70)
Non-Executive Director

Member of the PPK Group Limited Board since 1 August 2011.

Graeme Webb is a substantial shareholder of PPK Group Limited.
Graeme is Chairman of EDG Capital Limited and has over 48 years of experience in building, construction and property development undertaking over $1 billion of projects during his career to date.

In addition, Graeme has a broad range of business experience having acted as a director and/or chairman of a number of private and public companies engaged in a range of industries including plastics packaging, merchant banking, aluminium fabrication, glazing and glass toughening.

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

Dale McNamara (Age 62)
Executive Director

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

Dale McNamara first joined PPK 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: Nil

Anthony John McDonald LL.B, (Age 62)

Non-Executive, Independent Director

Member of the PPK Group Limited Board since 13 September 2017.
Member of the PPK Group Limited Audit Committee since 25 January 2018.

Tony McDonald graduated with a Bachelor of Laws from the Queensland University of Technology in 1981 and was admitted as a solicitor in 1981. He has been involved in the natural resource sector for many years both within Australia and internationally and for the past 18 years has held senior management roles in this sector. He is a Director of Santana Minerals Limited.

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

- Santana Minerals Limited, Executive Director (Appointed: 15 January 2013)
- Planet Gas Limited, Independent and Non-Executive Director (Appointed: 19 November 2003, resigned 20 June 2019)

INFORMATION ON COMPANY SECRETARY

Andrew J. Cooke (Age 60) LL.B, FCIS
Group Company Secretary

Andrew Cooke was appointed as Group Company Secretary on 9 May 2012.

Andrew has extensive experience in law, corporate finance and is the Company Secretary of a number of ASX listed companies. He is responsible for corporate administration together with stock exchange and regulatory compliance.

PRINCIPAL ACTIVITIES

The principal activities of PPK during the financial year were:

- Technology - manufacture of high-grade boron nitride nanotubes (BNNT) to;
  - supply to select industries to further research and development into the blending/infusing of BNNT into conventional materials; and
  - investment in and enhancement of selected BNNT product applications such as armaments (Craig International Ballistics Pty Ltd and Ballistic Glass Pty Ltd), lithium sulphur battery products (Li-S Energy Limited and Zeta Energy LLC), dental applications (3D Dental Technology Limited) and precious metals (BNNT Precious Metals Limited).
- the design, manufacture, service, support and distribution of CoalTram and other underground diesel vehicles, alternators, electrical equipment, drilling and bolting equipment and mining consumables and the hire of underground coal mining equipment.

Following the acquisition of a 50% interest in BNNT Technology Limited (BNNTTL) in March 2019, and the joint venture with Deakin University to manufacture high-grade BNNT in commercial quantities, PPK and Deakin University signed a joint venture research agreement (JVRA) in October 2019. The JVRA provided for the research, development and commercialisation of both new and existing technologies and products where BNNT can be used to create and/or improve these technologies and products. As a result, PPK has entered into commercial arrangements with third parties for the following BNNT application projects:

- Li-S Energy – development of BNNT as a nano-insulator in lithium sulphur batteries to significantly increase the energy density capability, lower re-charge times, increase discharge/charge cycles while addressing existing stability and safety issues relating to the use of lithium in batteries in general.
- 3D Dental Technology – development of nanocomposites of frequently used dental materials including zirconia, lithium disilicate, alumina and ceramic composite resins, based on the fabrication of BNNT in the molecular matrix to manufacture advanced dental applications commonly used in prosthetic and implant dentistry (i.e. inlays, onlays, veneers, crowns, bridges) to lower the risk of implant failure, smaller configurations and more fracture resistant.
- Ballistic Glass – development of BNNT for use in bullet resistance glass to improve resistance at a lower weight thus reducing the cost.
- BNNT Precious Metals – development of BNNT in the molecular matrix of gold and silver to improve their strength, hardness and durability for use in electronics, jewellery, dentistry, medicine and other industries.

PPK will continue to pursue additional BNNT applications with third parties where these parties provide specialist skills and/or experience in new and/or existing technologies and products.

OPERATING RESULTS

PPK reported a net profit after tax attributable to owners of PPK of $8.269M for the 12 months to 30 June 2020 (2019: $1.800M profit), after writing back as income a contingent consideration of $9.041M. Group revenue for the 12 months was $41.102M (2019: $40.932M), all from mining equipment sales and mining services.

PPK also had other income of $9.447M which was mainly due to the writeback of $9.041M to income of the contingent consideration made in the 2019 financial year. This was in relation to the 100% probability determined at the time of the acquisition that PPK would have to make a further $10.000M payment to the vendors of AICIC should specific EBIT targets be met for AICIC. The accounting standards required the discounted payment to be recognised in the purchase price. The directors have reviewed the assumptions based on the current financial and economic environment underlying this contingent consideration and have formed the view that the probability of a payout is now unlikely. As a result, the contingent consideration has been written back as other income.

The directors have also considered the value of the investment in BNNTTL and did not impair it as the discounted future cash flows exceeded the value of the investment. The payment of the contingent consideration is based on discounted cash flow estimates to 30 June 2021 but the value of the investment in BNNTTL is based on discounted cash flows that are projected beyond 30 June 2021.

PPK Group's loss for the year, ignoring the writeback of the contingent consideration, would have been $0.772M (2019: $2.150M profit). The Group has generated $3.315M of cash from operations (2019: $1.701M used) and raised $8.500M for its investment in Craig International Ballistics, funding for the BNNT application ventures and working capital leaving $2.309M available cash, excluding cash held in trust, at the year end.

The Group has current assets of $24.663M (2019: 21.747M) of which $13.327M (2019: $11.496M) is highly liquid and net working capital of $16.916M (2019: 13.235M). Overall, net assets have increased by $23.929M to $54.193M (2019: $30.264M) thus leaving the company in a strong financial position. It also has an undrawn finance facility up to a maximum of $4.000M from an Australian major bank.

Mining Segment

PPK Mining Equipment (PPKME) had a comparable result to the previous year with revenue of $41.102M (2019: $40.932M), a profitable EBITDA of $5.342M (2019: $4.786M) and a total profit of $2.676M (2019: $3.765M). After a promising first six months of revenues of $22.053M and EBITDA of $3.107M we saw the impact of COVID-19 with the last six months revenues of $19.049M and EBITDA of $2.235M. Each month in the financial year reported a profitable EBITDA.

Technology Segment

The acquisition of an investment in 45% interest in Craig International Ballistics Pty Ltd on 1 July 2019 and a number of new BNNT application ventures moving to commercial operations has resulted in revenues of $0.802M and a segment profit of $0.331M in the technology segment.

In particular, a capital raising by Li-S Energy Limited valued the company at $35.750M at year end and it has taken an economic interest in Zeta Energy LLC, a Delaware limited liability company that is in a pre-IPO period with a valuation of USD70.000M. Zeta Energy LLC is developing and commercialising battery technology developed at Rice University in Houston, Texas and has an exclusive license to seven US and foreign patents and approximately 30 pending patents. The battery being developed uses a hybrid anode created from graphene and carbon nanotubes. This investment is valued at $2.547M in PPK's financial statements. Zeta Energy LLC has also taken a 2% equity position in Li-S Energy prior to the Li-S Energy's capital raise.

Corporate Expenses

Total corporate costs of $3.066M include $0.550M of legal and professional expenses to defend a NSW Supreme Court action in relation to a business acquired in 2014. The additional costs are primarily in relation to commencement of the BNNT technology ventures noted above.

There is also an increase in the non-cash share based payment expenses of $0.967M (2019: $0.321M) which is due to the accounting realisation of the performance rights and the additional 50,000 performance rights, valued at $6.50 each, issued to a director pursuant to an approval granted at the Annual General Meeting .

DIVIDENDS PAID OR DECLARED

Dividends paid or recommended for payment are as follows:

	Cents	$000
Final ordinary dividends recommended:	0.01	856
Dividends paid in the year:		
Interim ordinary dividends	0.01	852

REVIEW OF OPERATIONS

The review of operations is outlined in the Executive Chairman's Report set out on pages 1 to 4 and which forms part of this report.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The 2019 Chairman's Report noted the importance of commercialising the BNNT manufacturing technology and identifying existing intellectual property created by Deakin University for new application ventures using BNNT. This has underpinned PPK's efforts during the financial year.

BNNT Manufacturing Technology

PPK has made several ASX announcements during the reporting period in relation to commercialising the BNNT manufacturing technology. The most recent relates to the production by BNNTTL of 10 grams per day of 99% pure grade BNNT from a single furnace on a single shift and that BNNTTL has ordered additional plant and equipment to move to a two plant multi shift operation to increase the production of 99% pure grade BNNT.

BNNTTL's scientists and engineers are continuing to work on improvements in both batch production techniques and continuous production. Continuous production means a production unit producing BNNT essentially around the clock, without having to cool down and then reheat the production unit for each batch of production.

BNNT Application Ventures

In October 2019 PPK announced it had entered into a formal Joint Venture Research Agreement (JVRA) with Deakin University to allow for the research, development and commercialisation of both new and existing technologies and products where BNNT can be used to create and/or improve these technologies and products. Six new BNNT application ventures, some of which were already undergoing research, were identified.

In October 2019 raised $8.500M capital at $4.25 per share and issued 2.000M shares to a range of institutional investors. The funds were raised to finance the BNNT ventures and the advancement of BNNT applications.

In December 2019 PPK completed the acquisition of 45% of the equity in Craig International Ballistics Pty Ltd (CIB), a manufacturer of soft and hard ballistic (body armour) products primarily for the security and defence sectors. The acquisition price was $5.000M and it was funded by issuing 500,000 shares at $4.50 per share, and a cash payment of $2.750M. PPK saw the strategic opportunity of using BNNT in CIB's current and future product range.

In June 2020 PPK announced three BNNT application ventures: Li-S Energy, 3D Dental Technology and Ballistic Glass. These applications are explained further in the Principal Activities section and in the Chairman's Report.

These ventures engage Deakin University to undertake research and development, BNNTTL for the supply of BNNT and its skills and know how, third parties with appropriate industry and/or product skills and experience and PPK to commercialise the new or enhanced products.

Mining Equipment Segment (PPKME)

During the reporting period PPKME signed contracts for provision of parts and services with its two largest customers each for three year periods with options to extend for one or two years at the customers discretion.

PPKME continued to play an important part of PPK's operations by generating surplus cash to support its own product development and corporate activities. PPKME's two major product developments have been the twelve-man battery electric vehicle (Mantransporter) and enhancements to the CoalTram LHD machine.

The Mantransporter will be initially launched to the wider mining industry in the coming months as a non-explosion protected machine with modern technology introduced – there has been wide industry interest already. The option for a diesel-powered version will also be available. It will then be developed so that its battery electric powertrain will be approved to meet the underground coal regulatory requirements.

The CoalTram enhancements will be launched later this calendar year and additional features will be made to meet the customers' requirements.

It is important to note that the workshops in Port Kembla and Tomago have gone six years and five years respectively, without a long term injury.

Capital Management

The Company raised $2.750M in June 2019 and a portion of these funds were used to repay the outstanding finance facility in place at that time. The Company negotiated a finance facility up to a maximum of $4.000M to support the anticipated growth from long term contracts signed with its major mining customers. This facility has not been used during the year.

COVID-19

The Company has provided regular updates of the effect of COVID-19 and with business operations in NSW, Victoria and Queensland, it has been a challenging time to interpret and follow changing government regulations/guidance and to adapt work practices to protect the safety of staff, customers and other stakeholders. As a result of conscientious personnel the Company has not suffered a reported COVID-19 illness.

The Company has experienced supply chain disruptions, increased costs for overseas shipping and reduced customer orders but has continued with business operations, albeit at a slower pace. Manufacturing in the BNNT manufacturing plant, BNNT application research, CIB and PPKME have all continued to operate and there have been no shutdowns.

Dividends

We are pleased we have maintained our dividends during this period and the Board has approved a 1 cent per share dividend relating to the second half of the reporting period.

There have been no other significant changes in the state of affairs during the 2020 financial year or existing at the time of this report.

REVIEW OF FINANCIAL CONDITION

The Group has maintained its strong balance sheet:

- A strong current asset position of $24.663M (2019: $21.747M) of which $13.327M (2019: $11.496M) is highly liquid and a net working capital position of $16.916M (2019: $13.235M)
- All debt from the previous year has been repaid
- The only interest bearing loan on the statement of financial position was that of a subsidiary and was repaid to related parties in July 2020

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

In August 2020, the Board declared a 1 cent final ordinary fully franked dividend for the 2020 financial year.

Li-S Energy Limited received $3.250M of cash prior to 30 June 2020 for the issuance of 5.000M shares at $0.65 per share and issued the shares subsequent to the reporting period.

PPK Mining Equipment operates in three facilities in NSW; Tomago, Port Kembla and Mt Thorley. Its customers and most suppliers operate in close proximity to the facilities and the operations continue to operate. However, if one or more of the facilities should be required to close it is unknown how long the closure would be, or if there were impacts on its customers and/or suppliers operations, the impact on the operations of PPK Mining Equipment is unknown.

BNNT Technology Limited's manufacturing plant and Li-S Energy Limited's laboratory are located at Deakin University's Waurn Ponds facility in Geelong, Victoria. To slow the spread of COVID-19 in Victoria, the Victorian government imposed Stage 4 restrictions for metropolitan Melbourne from 2 August 2020 and Stage 3 restrictions for regional Victoria from 5 August 2020, which includes Geelong. Stage 3 restrictions allow employees to work at the manufacturing plant so this facility continues to operate. At this date of these financial statements we believe the manufacturing plant will be able to continue to operate for the foreseeable future. However, if the manufacturing plant or the laboratory should be required to close, it is unknown how long this closure would be and the impact on the operations of both companies.

Deakin University has had its own restrictions with access to campus by staff, students and visitors restricted to help maintain health and safety protocols, with staff and visitor access reviewed case-by-case. As a result, limits have been placed on the number of staff and contractors permitted in the workspace at one time. We are however continuing with the installation of new equipment during this time whilst adhering to these restrictions. It is unknown whether stricter restrictions will be imposed and what the impact of these would be on the operations of the companies.

Craig International Ballistics is located at the Gold Coast in Queensland. Its customers are located in various Australian states and internationally and some key supplier are also located overseas. While its supply chain has been interrupted due to COVID-19 and some customer orders have been delayed, the company continues to operate. However, if the manufacturing plant should be required to close it is unknown how long this closure would be, or if there were impacts on its customers and/or suppliers operations, the impact on the operations of Craig International Ballistics is unknown.

PPK issued 252,500 shares to the Long Term Incentive Plan Trust Account for the two directors, an executive and senior managers of the Group whose Tranche 2 Performance Rights vested on 1 July 2020.

No other matter or circumstance has arisen since the end of the financial year which is not otherwise dealt with in this report or in the Consolidated Financial Statements that has significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in subsequent financial years.

FUTURE DEVELOPMENTS

The likely developments in the operations of PPK and the expected results of those operations in financial years subsequent to the year ended 30 June 2020 are included in the Executive Chairman's Report set out on pages 1 to 4 and which forms part of this report.

ENVIRONMENTAL ISSUES

PPK remains committed to:

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

The Company has otherwise complied with all government legislation and regulations with respect to disposal of waste and other materials and has not received any notices of breach of environmental laws and/or regulations. The Company's approach to environmental sustainability is outlined in its Environmental Policy at www.ppkgroup.com.au.

PROCEEDINGS ON BEHALF OF COMPANY

The Company is defending a claim in the Supreme Court of NSW in relation to a dispute pertaining to the vesting conditions of a business acquired in 2014 with a vendor employee for the issue of a second tranche of $0.500M of shares plus interest and costs. As advised in the 2016 Annual Report, the Company does not believe the vesting conditions were met and still maintains this position. The Company has incurred $0.550M this financial year to defend this position.

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.

REMUNERATION REPORT (audited)

The Directors of PPK present the Remuneration Report for non-executive directors, executive directors and other management personnel, prepared in accordance with the Corporations Act 2001 and the Corporations Regulations 2001. The Directors have determined that they and the Chief Financial Officer are the key management personnel.

Remuneration Policy

The remuneration policy of the Company has been designed to align directors', executives' and senior managers' objectives and performance with shareholder and business results by providing a fixed remuneration component and offering specific Short Term Incentives (STIs) based on key performance areas affecting the Group's financial results and Long Term Incentives (LTIs) based on increases to PPK's share price and retention of key people.

The PPK Board believes the remuneration policy to be appropriate and effective in its ability to attract, retain and motivate directors, executives and senior managers of high quality and standard to manage the affairs of the Group, as well as, create goal congruence between directors, executives, senior managers and shareholders.

The remuneration policy, setting the terms and conditions for executive directors, executives and senior managers was developed by the Board. The policy for determining the nature and amount of remuneration for board members, executives and senior managers of the consolidated entity is detailed in the paragraphs which follow.

Remuneration of non-executive directors is determined by the Board from the maximum amount available for distribution to the non-executive directors as approved by shareholders. Currently this amount is set at $0.400M per annum in aggregate as approved by shareholders at the Annual General Meeting on 26 November 2019.

In determining the appropriate level of directors' fees, data from surveys undertaken of other public companies similar in size or market section to the Company is taken into account.

Non-executive directors are remunerated by means of cash benefits. They are not entitled to participate in performance based remuneration practices unless approved by shareholders. The Company will not generally use options as a means of remuneration for non-executive directors and will continue to remunerate those directors by means of cash benefits. However, A McDonald was offered 50,000 performance rights due to the time and services provided in connection with the BNNT acquisition and its subsequent development and advancement and this was approved by the shareholders at the Annual General Meeting on 26 November 2019.

PPK does not provide retirement benefits for its non-executive directors. Executive directors do not receive director's fees.

The Board is responsible for approving remuneration policies and packages applicable to executive directors, executives and senior managers of the Company. The broad remuneration policy is to ensure that the remuneration package properly reflects the person's duties and responsibilities and that the remuneration is competitive in attracting, retaining and motivating people of high quality and standard.

A review of the compensation arrangements for executive directors, executives and managers is conducted by the full Board at a duly constituted Directors' meeting.

The Board conducts its review annually based on established criteria which includes:

- the individual's performance;
- reference to market data for broadly comparable positions or skill sets in similar organisations or industry;
- the performance of the Group during the relevant period; and
- the broad remuneration policy of the Group.

Executive directors, executives and senior managers may receive bonuses and/or fees based on the achievement of specific goals of the consolidated entity.

Company Performance and Shareholder Wealth for Executive and Senior Managers Remuneration

The two methods employed in achieving this aim are:

Short Term Incentives
PPK has an STI in place which is designed to reward the efforts and positive outcomes of the executive and senior managers who play key roles during the year. The executive and senior managers have an opportunity to earn an annual incentive which is paid as salary and superannuation above their normal contracts and are aligned with key performance indicators (KPIs) as determined by the board. The KPIs are developed from the operating plans, the outcomes are agreed and are monitored throughout the period. There is also a shared incentive for all participants dependent on the Group achieving certain financial performance targets. Participation in the STI is considered on an annual basis and is offered to participants for performance over and above their normal roles and responsibilities.

Who is eligible?	The board determines each year whether it will provide STIs to executives and senior managers and which executives and senior managers will have the opportunity to participate in the STIs.
How is it paid?	Executives and senior managers have a target STI opportunity of 10% to 50% of their fixed salary component of their remuneration.
How is performance measured?	The STI performance measures are chosen to reflect the core drivers of short-term performance and also provide a framework for delivering sustainable value to the Group, its shareholders and its customers. STI's include a corporate financial target, which is shared by executives and senior managers, as well as individual targets that each executive or senior manager can influence the outcome in their own right.

	Financial Corporate	Financial Individual	Non-Financial
Executives	50%	0%	50%
Senior Managers	25%	0% - 75%	0% - 75%

When is it paid?	The STI is determined after the end of the financial year following a review of the executive and senior managers performance over the year. The board approves the STI based on this assessment of performance.
What happens if an executive or senior manager leaves?	If an executive or senior manager resigns or is terminated for cause before the end of the financial year, no STI is awarded for that year. If an executive or senior manager ceases employment during the performance period by reason of redundancy, ill health, death or other circumstances approved by the board, the executive or senior manager will be entitled to a pro-rata cash payment based on assessment of performance up to the date of ceasing employment for that year, subject to board discretion.

Long Term Incentives (LTI)

PPK has an LTI in place which is managed as a Trust on behalf of two directors, an executive and senior managers of the Group. The Directors determine who will be 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 executive director and employees continuing their employment to the vesting date. The LTI was approved by shareholders at the Annual General Meeting on 27 November 2018.

At the time that the Directors set the share price targets, PPK shares were trading at $0.21 per share and the performance rights to be issued were 2,520,000. As a result of the increase in PPK's share price, the share price targets were met, and the vesting conditions are now subject to the two director and employees continuing their employment to the vesting dates. However, the board considered that as the intent was to reward the executives and senior managers with a value of shares equivalent to their total remuneration to be realised over a period of time, the ASX announcement on 13 November 2018 for the Group to acquire 100% of the shares in AICIC, and the resulting strategic 50% holding in BNNT Technology Limited, led to a significant increase in the PPK share price in a short period of time and that this was not the direct outcome of the executives or senior managers actions of the Mining Services segment.

As a result, in July 2019 the board modified the performance rights to the executives and senior managers that would deliver a total remuneration value that was equal under the original LTI and the modified LTI. The board considers there to be no change in the original vesting conditions. The share price targets, based on a 5-trading day volume weighted average price, the vesting conditions and the total number of performance rights offered, as modified in July 2019, are:

Share Price Targets	Vesting Conditions	Original No of Performance Rights (1)	Amended No of Performance Rights (1)
$0.30 per share by 1 January 2019	Fully vest on 1 January 2020 (2)	380,000	140,000
$0.40 per share by 1 January 2020	Fully vest on 1 July 2020	380,000	140,000
$0.50 per share by 1 January 2021	Fully vest on 1 January 2021	380,000	140,000
$0.60 per share by 1 January 2021	Fully vest on 1 July 2021	380,000	140,000
		1,520,000	560,000

(1) The performance rights have been adjusted for those foregone by a senior manager who left employment before the performance rights vested.
(2) On 1 January 2020, 140,000 modified performance rights vested.

As at 30 June 2020, the Trust held 0.204M shares in PPK. The Directors have determined PPK will not consolidate the Trust with the entities of PPK as the Trust is for the benefit of the Participants and PPK does not control the Trust.

Who is eligible?	The board determines which, if any, executives and senior managers they will offer Performance Rights to and the vesting conditions attaching to those Performance Rights.
How is it paid?	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.
How is performance measured?	Performance Rights generally have a performance condition and a vesting condition attached to them and are managed under a Trust Deed, The performance conditions were based on a 5 day volume weighted average share price and, at the time that the Directors set the share price targets, PPK shares were trading at $0.21 per share. The vesting condition dates were selected based on sustainable share price growth over a reasonable period of time. A summary of the share price targets and the vesting conditions are:

Share Price Targets	**Vesting Conditions**
$0.30 per share by 1 January 2019	Fully vest on 1 January 2020
$0.40 per share by 1 January 2020	Fully vest on 1 July 2020
$0.50 per share by 1 January 2021	Fully vest on 1 January 2021
$0.60 per share by 1 January 2021	Fully vest on 1 July 2021

What happens if an executive or senior manager leaves?	In general, if an executive or senior manager ceases to be an employee of the Company before the performance rights vest, all unvested performance rights will lapse on the day employment ceases unless the Board determines that some or all of the performance rights can be retained (on such terms as the Board determines, including the Conditions that must be satisfied) or will vest immediately upon cessation of employment.
Are Performance Rights eligible for dividends?	Performance rights are not eligible for dividends.
Are there other restrictions on the performance rights?	Performance rights are not transferable and may not be dealt with (except with Board approval or by force of law upon death or bankruptcy) and will lapse immediately if an executive or senior manager purports to deal with them in breach of these terms. An executive or senior manager are prohibited from entering into any scheme or arrangement under which performance rights are “hedged” or alter the economic benefit that an executive or senior manager may derive in respect of their performance rights.

Company Performance and Shareholder Wealth for Directors

Two directors, D McNamara and A McDonald, participate in the LTI on the same terms and conditions as the Executives and Senior Managers. 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. As noted above, in July 2019 the board modified the performance rights to the D McNamara that would deliver a comparative total remuneration value and the board has considered this to be no change in the original vesting conditions. The share price targets, based on a 5-trading day volume weighted average price, the vesting conditions and the total number of performance rights offered, as modified in July 2019, are:

Share Price Targets	Vesting Conditions	Original No of Performance Rights	Amended No of Performance Rights
$0.30 per share by 1 January 2019	Fully vest on 1 January 2020	250,000	100,000
$0.40 per share by 1 January 2020	Fully vest on 1 July 2020	250,000	100,000
$0.50 per share by 1 January 2021	Fully vest on 1 January 2021	250,000	100,000
$0.60 per share by 1 January 2021	Fully vest on 1 July 2021	250,000	100,000
		1,000,000	400,000

A McDonald was offered 50,000 performance rights due to the time and services provided in connection with the BNNT acquisition and its subsequent development and advancement and this was approved by the shareholders at the Annual General Meeting on 26 November 2019. The performance rights will 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.

For D McNamara and A McDonald, the 1st tranche of 100,000 and 12,500 performance rights respectively, were vested on 1 January 2020.

Consequences of company performance on shareholder wealth

The following table outlines the impact of company performance on shareholder wealth:

Data	2020	2019	2018	2017	2016	2015	2014
Net profit/(loss) after tax ($000)	8,254	1,800	(1,561)	560	(7,873)	(11,822)	2,951
Earnings per share (cents)	9.8	2.6	(2.3)	0.8	(13.4)	(21.2)	4.8
Full year ordinary dividends (cents) per share	2.0	1.0	-	-	-	1.5	3.5
Year-end share price	$3.11	$2.77	$0.30	$0.20	$0.20	$0.40	$0.66
Shareholder return (annual)	13%	823%	50%	106%	(50%)	(37%)	58%

The above table shows the annual returns to shareholders calculated to include the difference in percentage terms between the dividend yield for the year (based on the average share price during the period) and changes in the price at which shares in the Company are traded between the beginning and the end of the relevant financial year. The share price for 2017 and 2016 is the last traded price, being 29th September 2015 when the Group voluntarily suspended trading on the ASX and 16 August 2017, when it was relisted on the ASX.

Remuneration Details for the year ended 30 June 2020 for Directors' and Key Management Personnel

Details of the nature and amount of each element of the remuneration of each director and key management personnel ('KMP") of PPK Group Limited are shown in the table below:

2020	**Short term benefits**			**Post employment**					
	Salary& fees ($)	**Cash bonus ($)**	**Non-Monetary ($)**	**Super-annuation ($)**	**Long Term Benefits ($)**	**Terminat-ion Payments ($)**	**[1]Share based payments ($)**	**Total ($)**	**Perform-ance Related (%)**
Directors									
Non –Executive									
G Webb	40,000	-	-	-	-	-	-	40,000	-
A McDonald	45,833	-	-	-	-	-	236,943	282,776	84
Executive									
R Levison	215,000	-	-	25,000	-	-	-	240,000	-
G Molloy	240,000	-	-	-	-	-	-	240,000	
D McNamara	[2]200,000	-	-	-	-	-	236,108	436,108	54
Total Directors	740,833	-	-	25,000	-	-	473,051	1,238,884	-
Other Key Management Personnel									
K Hostland	325,000	[3]157,625	-	25,000	-	-	188,886	696,511	50
Total Other	325,000	157,625	-	25,000	-	-	188,886	696,511	
Total Key Management Personnel									
	1,065,833	**157,625**	-	**50,000**	-	-	**661,937**	**1,935,395**	-

[1] 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 the rights.
[2] D McNamara also has use of a fully maintained motor vehicle.
[3] Related to the 2019 financial year.
Amounts reported above include both paid and unpaid entitlements.

Remuneration Details for the year ended 30 June 2019 for Directors' and Key Management Personnel

Details of the nature and amount of each element of the remuneration of each director and key management personnel ('KMP") of PPK Group Limited are shown in the table below:

2019	Short term benefits			Post employment					
	Salary& fees ($)	Cash bonus ($)	Non-Monetary ($)	Super-annuation ($)	Long Term Benefits ($)	Terminat-ion Payments ($)	[1]Share based payments ($)	Total ($)	Perform-ance Related (%)
Directors									
Non --Executive									
G Webb	40,000	-	-	-	-	-	-	40,000	-
A McDonald	40,000	-	-	-	-	-	-	40,000	-
Executive									
R Levison	170,000	-	-	-	-	-	-	170,000	-
G Molloy	39,600	-	-	-	-	-	-	39,600	-
D McNamara	[2]200,000	-	-	-	-	-	108,864	308,864	35
Total Directors	489,600	-	-	-	-	-	108,864	598,464	-
Other Key Management Personnel									
K Hostland	325,000	[3]115,529	-	25,000	-	-	87,091	552,620	37
Total Other	325,000	115,529	-	25,000	-	-	87,091	552,620	
Total Key Management Personnel									
	814,600	**115,529**	-	**25,000**	-	-	**195,955**	**1,151,084**	-

[1] 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 the rights.
[2] D McNamara also has use of a fully maintained motor vehicle.
[3] Related to the 2018 financial year.
Amounts reported above include both paid and unpaid entitlements.

Performance Income as a Proportion of Total Remuneration

In 2020, K Hostland received an STI award of $157,625 (2019: $115,529), after his assessment of annual performance, for achieving targets noted below as set by the Directors for the 2019 financial year representing 97% of his targets. No other bonuses were paid to Key Management Personnel during the year.

Targets	Results	STI Allocation	Outcome
Revised revenue of $25.891M	Achieved $26.689M	20%	100%
Revised management EBITDA of $2.294M	Achieved $3.143M	30%	100%
BNNT Acquisition, legal & refinancing	Achieved at Board's discretion	50%	94%

The table below shows a reconciliation of performance rights held by each KMP for the year ended 30 June 2020.

Name and Grant dates	Balance at the start of year	Granted during year	Vested		Exercised	Forfeited		Balance at the end of the year (unvested)	
D McNamara	Unvested		No.	%		No.	%	No.	Maximum $ value to vest[1]
Tranche 1									
Tranche 2	-	100,000	Yes	25	-	-		-	88,744
Tranche 3	-	100,000	-		-	-		-	50,133
Tranche 4	-	100,000	-		-	-		-	20,568
	-	100,000	-		-	-		-	
A McDonald									
Tranche 1									
Tranche 2	-	12,500	Yes	25	-	-		-	
Tranche 3	-	12,500			-	-		-	129,982
Tranche 4	-	12,500			-	-		-	62,832
	-	12,500			-	-		-	25,225
K Hostland									
Tranche 1									
Tranche 2	-	75,000	Yes	25	-	-		-	70,995
Tranche 3	-	75,000	-		-	-		-	40,106
Tranche 4	-	75,000	-		-	-		-	16,455
	-	75,000	-		-	-		-	

[1] The maximum value of the performance rights yet to vest has been determined as the amount of the grant date fair value of the performance rights that is yet to be expensed which was calculated using the number of performance rights that were going to be granted.

Fair Value of each performance right at the grant date is:

	Tranche 1	Tranche 2	Tranche 3	Tranche 4
D McNamara	$0.500	$0.500	$0.486	$0.430
A McDonald	$6.500	$6.500	$6.500	$6.500
K Hostland	$0.500	$0.500	$0.486	$0.430

Employment Agreements

R Levison

A consultancy agreement is in place between the parties on the following terms:

Term: Commencing on 1 October 2013 – no fixed term.

Remuneration: Base remuneration under the agreement is $0.240M per annum.

Duties: Executive Chairman.

Termination: The agreement may be terminated at any time by PPK Group Limited giving not less than 12 months written notice or by Mr Levison giving not less than 6 months written notice.

G Molloy

A consultancy agreement is in place between the parties on the following terms:

Term: Commencing on 1 July 2019 – no fixed term.

Remuneration: Base remuneration under the agreement is $0.240M per annum.

Duties: Executive Director.

Termination: The agreement may be terminated at any time by PPK Group Limited giving not less than 12 months written notice or by Mr Molloy giving not less than 6 months written notice.

D McNamara

A consultancy agreement is in place between the parties on the following terms:

Term: Commencing on 1 April 2014 – no fixed term.

Remuneration: Base remuneration under the agreement is $0.200M per annum plus a fully maintained motor vehicle plus 400,000 performance rights to convert to PPK shares, payable in four equal tranches, on a one-for-one basis subject to the PPK share price meeting set price targets and continuing his employment to the vesting date.

Duties: Director of Global Mining.

Termination: The agreement may be terminated at any time by PPK Group Limited by giving not less than 12 months written notice or by Mr McNamara giving not less than 6 months written notice.

K Hostland

Employment agreement is in place between the parties on the following terms:

Term: Commencing 1 December 2017 (previously under a short term contract as Acting Chief Financial Officer)

Remuneration: Base remuneration of $0.325M plus $0.025M superannuation per annum. He also participates in the STI, where he can receive a maximum bonus of 50% of his total base salary for meeting key performance indicators set by the Directors, and the LTI, where he will receive 300,000 performance rights to convert to PPK shares, payable in four equal tranches, on a one-for-one basis subject to the PPK share price meeting set price targets and continuing his employment to the vesting date.
Duties: Group Chief Financial Officer/Group Chief Operating Officer

Termination: The agreement may be terminated at any time by either party giving 6 months written notice.

There are no formal employment agreements in place for G Webb or A McDonald.

As at the end of the financial year, the number of ordinary shares held by directors and Key Management Personnel during the 2020 reporting period is set out below:

Directors	**Balance at Start of year**	**November 2019 DRP**[(1)]	**April 2020 DRP**[(2)]	**Shares Acquired**	**Shares Sold**	**Held at the End of the Reporting Period**
R Levison	4,450,404	10,582	22,981	-	[(3)] (50,395)	4,433,572
G Molloy	14,506,499	33,455	72,656	-	[(3)] (30,000)	14,582,610
G Webb	9,676,585	22,958	49,856	-	-	9,749,399
D McNamara	4,496,625	10,667	23,169	-	-	4,530,461
A McDonald	404,878	960	2,086	-	-	407,924
Total Directors	33,534,991	78,622	170,748	-	(80,395)	33,703,966
Other Key Management Personnel						
K Hostland	404,878	-	-	-	[(3)] (150,000)	254,878
Total Other	404,878	-	-	-	(150,000)	254,878
Total	33,939,869	78,622	170,748	-	(230,395)	33,958,844

[1] Shares issued @ $4.4129 per share being the price at which shares were issued to all shareholders participating in the Dividend Reinvestment Plan regarding the dividend paid by the Company on 20 November 2019.
[2] Shares issued @ $1.9455 per share being the price at which shares were issued to all shareholders participating in the Dividend Reinvestment Plan regarding the dividend paid by the Company on 30 April 2020.
[3] Share were transferred off-market as a gift, at nil consideration, or to family members.

OTHER TRANSACTIONS WITH RELATED PARTIES OF THE GROUP

There were no transactions with directors and/or their related parties during the year.

(End of Audited Remuneration Report)

MEETINGS OF DIRECTORS

During the financial year, meetings of directors (including committee meetings) were held. Attendances were:

	DIRECTORS' MEETINGS		**AUDIT COMMITTEE MEETINGS**	
	Number Eligible to attend	Number Attended	Number Eligible to attend	Number Attended
R Levison	17	16	-	-
G Molloy	17	17	2	2
G Webb	17	9	-	-
D McNamara	17	15	-	-
A McDonald	17	17	2	2

CORPORATE GOVERNANCE STATEMENT

PPK's directors and management are committed to conducting the Group's business ethically and in accordance with high standards of corporate governance. A copy of PPK's Corporate Governance Statement can be found in the corporate governance section of PPK's website at www.ppkgroup.com.au.

RISK & CONTROL COMPLIANCE STATEMENT

Under ASX Listing Rules and the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations ("ASX Recommendations 3rd edition"), the Company is required to disclose in its Annual Report the extent of its compliance with the ASX Recommendations.

Throughout the reporting period, and as at the date of signing of this Directors' Report, the Company was in compliance with a majority of the ASX Recommendations in all material respects as more fully detailed in PPK's corporate governance section as set out on its website.

In accordance with the Recommendations, the Board has:

- received and considered reports from management regarding the effectiveness of the Company's management of its material business risks; and
- received assurance from the people performing each of the Chief Executive Officer and Chief Financial Officer functions regarding the consolidated financial statements and the effective operation of risk management systems and internal controls in relation to financial reporting risks.

Material associates and joint ventures, which the company does not control, are not dealt with for the purposes of this statement.

AUDIT COMMITTEE

The details of the composition, role and Terms of Reference of the PPK Audit Committee are available on the Company's website at www.ppkgroup.com.au

During the reporting period, the PPK Audit Committee consisted of the following:

G Molloy (Appointed Chairman: 14 August 2017)	Executive Director
A McDonald (Appointed: 25 January 2018)	Non-Executive Independent Director

The Company's lead signing and review External Audit Partner, Chairman, Chief Financial Officer and selected consultants attend meetings of the Audit Committee by standing invitation.

DIRECTORS' AND AUDITORS' 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:

The Company has paid premiums during 2020 of $0.111M (2019: $0.132M) for the year ending 31 May 2021 to insure all directors of the parent entity and officers of the consolidated entity against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director or officer of the Company, other than conduct involving a wilful breach of duty in relation to the Company.

To the extent permitted by law, the Company has agreed to indemnify its auditors, EY, 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 EY during or since the financial year.

NON-AUDIT SERVICES

In 2020, the external auditors were engaged to provide tax compliance and an independent export report in relation to a legal dispute and were paid $0.100M (2019: $0.008M to Grant Thornton who provided advice in relation to the review of the Trust Deed for the Long Term Incentive Plan).

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 2020 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
Executive Chairman

GLENN MOLLOY
Executive Director

Brisbane, 26 August 2020

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Auditor's Independence Declaration to the Directors of PPK Group Limited

As lead auditor for the audit of the financial report of PPK Group Limited for the financial year ended 30 June 2020, 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*;* and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

Ernst & Young

Ernst & Young

Bradly Tozer

Brad Tozer
Partner
26 August 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2020

		Consolidated Entity	
		2020	**2019**
	Notes	**$000**	**$000**
Continuing operations			
Revenue from contracts with customers	3.1, 4.1	39,847	38,921
Cost of sales	4.1	(29,632)	(28,492)
GROSS PROFIT		10,215	10,429
Rental income	3.1	1,255	2,011
Other operating income	3.2	9,447	835
Mining services expenses		(8,584)	(8,625)
Technology expenses	4.1	(231)	(160)
Investment activity expenses		-	(7)
Corporate expenses		(3,066)	(2,105)
Share based payment expense	4.1	(967)	(321)
Finance costs	4.1	(286)	(267)
Finance income		5	10
Share of profit of an associate and a joint venture	19.3	766	-
PROFIT (LOSS) BEFORE TAX EXPENSE FROM CONTINUING OPERATIONS		8,554	1,800
Income tax (expense)/benefit attributable to profit	4.1	(240)	-
PROFIT (LOSS) AFTER TAX EXPENSE FROM CONTINUING OPERATIONS	4.1	8,314	1,800
Discontinuing operations			
PROFIT (LOSS) AFTER TAX EXPENSE FROM DISCONTINUED OPERATIONS		(60)	-
PROFIT (LOSS) FOR THE YEAR		8,254	1,800
PROFIT (LOSS) IS ATTRIBUTED TO:			
Owners of PPK Group Limited		8,269	1,800
Non-controlling interests		(15)	-
		8,254	1,800
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified to profit or loss, net of tax		-	-
Revaluation of land and buildings before related tax effects		-	350
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods		-	350
NET OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR		-	350
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR		8,254	2,150
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR IS ATTRIBUTABLE TO:			
Owners of PPK Group Limited		8,269	2,150
Non-controlling interests		(15)	-
		8,254	2,150

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (continued)

FOR THE YEAR ENDED 30 JUNE 2020

Earnings per share (in cents)		
Basic	9.8	2.6
Diluted	9.7	2.6
Earnings per share from continuing operations (in cents)		
Basic	9.8	2.6
Diluted	9.7	2.6
Earnings per share from discontinued operations (in cents)		
Basic	-	-
Diluted	-	-

The Group has applied AASB 16 Leases effective from the date of initial application, being 1 July 2019, and adopted the modified retrospective method for implementation and elected to use the transition practical expedient thus the comparatives for the previous year have not be restated.

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The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

		Consolidated Entity	
		2020	2019
	Notes	$000	$000
CURRENT ASSETS			
Cash and cash equivalents	13	5,344	1,047
Trade and other receivables	14	6,324	8,655
Contract assets	15	1,659	1,794
Inventories	16	10,594	9,251
Other current assets	17	742	1,000
TOTAL CURRENT ASSETS		24,663	21,747
NON-CURRENT ASSETS			
Investments in associates and a joint venture – equity accounted	19	25,086	19,340
Investment	20	2,547	-
Property, plant and equipment	21	5,240	5,339
Right-of-use assets	22	3,628	-
Intangibles	23	3,038	1,606
Other non-current assets	17	37	-
TOTAL NON-CURRENT ASSETS		39,576	26,285
TOTAL ASSETS		64,239	48,032
CURRENT LIABILITIES			
Trade and other payables	24	4,333	4,932
Lease and other liabilities	22, 25	1,681	-
Interest-bearing loans and borrowings	26	152	2,256
Provisions	27	1,581	1,324
TOTAL CURRENT LIABILITIES		7,747	8,512
NON-CURRENT LIABILITIES			
Lease liabilities	22, 25	1,998	-
Provisions	27	301	215
Contingent consideration	28	-	9,041
TOTAL NON-CURRENT LIABILITIES		2,299	9,256
TOTAL LIABILITIES		10,046	17,768
NET ASSETS		54,193	30,264
EQUITY			
Contributed equity	29.1	59,500	47,743
Treasury shares	29.4	(227)	(220)
Reserves	30	4,143	671
Retained earnings (accumulated losses)		(11,325)	(17,930)
Capital and reserves attributable to owners of PPK Group Ltd		52,091	30,264
Non-controlling interests		2,102	-
TOTAL EQUITY		54,193	30,264

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2020

		Consolidated Entity	
		2020	2019
	Notes	$000	$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		48,350	41,911
Cash payments to suppliers and employees		(44,754)	(43,200)
Transaction costs related to acquisition		-	(135)
Interest received		5	10
Interest paid		(286)	(287)
Net cash provided by (used in) operating activities		3,315	(1,701)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for purchases of plant and equipment		(721)	(1,204)
Proceeds from sale of property and equipment		28	563
Proceeds from sale of financial assets at fair value through profit or loss		-	793
Payments for intangibles		(1,465)	(1,010)
Payments for the acquisition of subsidiary, net of cash acquired		-	(3,583)
Payments for the acquisition of an associate	19.2	(2,750)	-
Payment for acquisition of investment	18	(500)	-
Transaction costs related to acquisition of an associate	19.2	(219)	-
Purchase of financial assets at fair value through profit or loss		-	(22)
Net cash provided by (used in) investing activities		(5,627)	(4,463)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from other borrowings		5,150	6,852
Proceeds from capital raisings		11,750	6,285
Repayment of other borrowings		(7,255)	(6,785)
Principal payment for lease liabilities		(1,557)	-
Transaction costs on issue of shares	29.2	(697)	(281)
Dividends paid	10(d)	(728)	(172)
Dividends received for treasury shares	10(d)	6	-
Net cash provided by (used in) financing activities		6,669	5,899
Net increase (decrease) in cash held		4,357	(265)
Cash at the beginning of the financial year		1,047	1,312
Cash outflow from discontinued operations		(60)	-
Cash at the end of the financial year	6.2	5,344	1,047

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2020

	Notes	Issued Capital (Note 29) $000	Treasury Shares (Note 29.4) $000	Accumulated Losses $000	Capital Reserves (Note 30) $000	Total Attributable to Owners of PPK Group Ltd $000	Non-Controlling Interests $000	Total Equity $000
CONSOLIDATED ENTITY								
At 1 July 2019		47,743	(220)	(17,930)	671	30,264	-	30,264
Total comprehensive income (loss) for the year								
Profit (loss) for the year		-	-	8,269	-	8,269	(15)	8,254
Total comprehensive income (loss) for the year		-	-	8,269	-	8,269	(15)	8,254
Issue of share capital on private placement	29.2	8,500	-	-	-	8,500	-	8,500
Issue of share capital on acquisition	29.2	2,250	-	-	-	2,250	-	2,250
Issue of share capital on dividend reinvestment plan	29.2	949	(7)	-	-	942	-	942
Issue of share capital for Long Term Incentive Plan	29.2	396	-	-	548	944	-	944
Issue of share capital for Employee Share Scheme	29.2	138	-	-	-	138	-	138
Transaction costs for issue of share capital	29.2	(476)	-	-	-	(476)	-	(476)
Changes in holding of non-controlling interests		-	-	-	2,924	2,924	2,117	5,041
Dividends paid	10(d)	-	-	(1,664)	-	(1,664)	-	(1,664)
At 30 June 2020		59,500	(227)	(11,325)	4,143	52,091	2,102	54,193

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2019

	Notes	Issued Capital $000	Treasury shares $000	Accumulated losses $000	Options Reserve $000	Asset Revaluation Surplus $000	Total Attributable to Owners of PPK Group Ltd $000	Total Equity $000
CONSOLIDATED ENTITY								
At 1 July 2018		34,451	(389)	(18,662)	-	-	15,490	15,490
Adjustment for the adoption of AASB 9		-	-	(356)	-	-	(356)	(356)
Adjusted balance at 1 July 2018		34,451	(389)	(19,018)	-	-	15,134	15,134
Total comprehensive income (loss) for the year								
Profit (loss) for the year		-	-	1,800	-	-	1,800	1,800
Revaluation of land and property	30.2	-	-	-	-	350	350	350
Total comprehensive income (loss) for the year		-	-	1,800	-	350	2,150	2,150
Transactions with owners in their capacity as owners								
Shares purchased	29.2	-	(21)	-	-	-	(21)	(21)
Shares sold	29.2	-	199	-	-	-	199	199
Issue of share capital on private placement	29.2	6,028	-	-	-	-	6,028	6,028
Issue of share capital on acquisition	29.2	6,633	-	-	-	-	6,633	6,633
Issue of share capital on dividend reinvestment plan	29.2	541	(9)	-	-	-	532	532
Issue of performance rights	30	-	-	-	321	-	321	321
Dividends paid	10	-	-	(712)	-	-	(712)	(712)
Total transactions with owners in their capacity as owners		13,202	169	(712)	321	-	12,980	12,980
At 30 June 2019		47,743	(220)	(17,930)	321	350	30,264	30,264

The accompanying notes form part of these financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

NOTE 1 CORPORATE INFORMATION

The financial statements of PPK Group Limited (“PPK” or “the Group”) for the year ended 30 June 2020 were authorised for issue in accordance with a resolution of the Directors on 26 August 2020 and covers PPK Group Limited and its controlled entities as required by the Corporation Act 2001.

PPK is a for-profit company limited by shares, incorporated in Australia. Its shares are publicly traded on the Australian Securities Exchange.

Separate financial statements for PPK Group Limited (“Parent Company”) as an individual entity are not required to be presented, however, limited financial information for PPK Group Limited is provided as an individual entity in Note 12.

The nature of the operations and principal activities of the Group are:

- Technology - to expand and profit from the manufacture of high-grade boron nitride nanotubes (BNNT) in commercial quantities using Deakin University’s patented technology to;
  - supply BNNT to select industries to enable industries to enable further research and development into the blending/infusing of BNNT into conventional materials. This process can be transformative in terms of reduced weight and increased strength; and
  - maintain an ongoing equity interest in selected BNNT product applications such as armaments (Craig International Ballistics Pty Ltd and Ballistic Glass Pty Ltd), lithium sulphur battery products (Li-S Energy Limited and Zeta Energy LLC), dental applications (3D Dental Technology Limited) and precious metals (BNNT Precious Metals Limited).
- the design, manufacture, service, support and distribution of CoalTram and other underground diesel vehicles, alternators, electrical equipment, drilling and bolting equipment and mining consumables and the hire of underground coal mining equipment.

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.

The financial statements have been prepared on an accruals basis and are based on historical costs, except for land and buildings, plant and equipment and intangible assets which are measured at the lower of carrying amounts and fair value, less costs to sell, available for sale financial assets are held at fair value and impairment is recognised when the fair value of the asset is less than the historical cost.

The consolidated financial statements provide comparative information in respect of the previous period, except for adoption of new standards effective as of 1 July 2019 as disclosed in Note 2.2.

The accounting policies have been consistently applied to the entities of the consolidated entity unless otherwise stated.

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

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

The Group applied AASB 16 *Leases* for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard is described below.

Several other amendments and interpretations apply for the first time for the year ending 30 June 2020, but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

AASB 16 Leases

AASB 16 *Leases* supersedes AASB 117 *Leases* and Interpretation 4 *Determining whether an Arrangement contains a Lease* sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet method.

The Group adopted AASB 16 using the modified retrospective method of adoption with the date of initial application of 1 July 2019. Under this method, the standard is applied retrospectively with the cumulative effective of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying AASB 117 and Interpretation 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (“short-term leases”), and lease contracts for which the underlying asset is of low value (“low-value assets”).

Upon adoption of AASB 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases and low-value assts. The standard provides specific transition requirements and practical expedients, which has been applied by the Group.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Group also applied the available practical expedients wherein it:

- use a single discount rate to a portfolio of assets with reasonably similar characteristics;
- relied on its assessments of whether leases were onerous immediately before the date of initial application;
- applied the short-term leases exemptions to leases with a lease term that ends 12 months or less and do not contain a purchase option;
- applied the low-value assets exemptions to leases for which the underlying asset is of low value;
- excluded the initial direct costs from the measurement of the right-to-use asset at the date of the initial application;
- used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group separated lease components from non-lease components.

The Group, as the lessor, classified each of its leases as an operating lease as in management's judgement the leases do not transfer substantially all the risks and rewards incidental to ownership of the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of property (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 leases of low-value assets recognition exemption to leases of office equipment that are considered of 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.

The effect of adopting AASB 16 is as follows:

Impact on the statement of financial position (increase/(decrease) as at 1 July 2019:	**$000**
Non-current assets	
Right-of-use assets	5,236
Total non-current assets	5,236
Current liabilities	
Lease liabilities	1,729
Total current liabilities	1,729
Non-current liabilities	
Lease liabilities	3,507
Total non-current liabilities	3,507
Net assets	-

The right-of-use assets are included in property, plant and equipment in the consolidated statement of financial position.

a) <u>Nature of the effect of adoption of AASB 16</u>

The Group has the following lease contracts for which the short-term or low-value expedients have not been applied; two properties, six forklifts and twenty four vehicles. Before the adoption of AASB 16, the Group classified each of its leases (as lessee) at the inception date as an operating lease. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense on a straight-line basis over the lease term in the consolidated statement of profit or loss. Any pre-paid rent and accrued rent were recognised under Prepayments or Trade and other payables in the consolidated statement of financial position.

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and low-value assets. The right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of the initial application.

The lease liabilities as at 1 July 2019 can be reconciled to the operating lease commitments as at 1 July 2019 as follows:

	$000
Operating lease commitments as at 1 July 2019	6,126
Weighted average incremental borrowing rate as at 1 July 2019	5%
Discounted operating lease commitment as at 1 July 2019	5,598
Commitments relating to short-term leases	(243)
Commitments relating to leases of low-value asset	(119)
Lease liabilities as at 1 July 2019	5,236

<u>AASB Interpretation 23 Uncertainty Over Income Tax Treatments</u>

AASB Interpretation 23 addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of AASB 12 *Income Taxes*. It does not apply to taxes or levies outside the scope of AASB 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately;
- The assumptions an entity makes about the examination of tax treatments by taxation authorities;
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates;
- How an entity considers changes in facts and circumstances.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

The Group applies significant judgement in identifying uncertainties over income tax treatments. Since the Group operates in a complex taxation environment, it assessed whether the Interpretation had an impact on its consolidated financial statements.

Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions, particularly in relation to tax losses carried forward. Management determined that, based on a review of the continuity of ownership tests, it is probable that its tax treatment will be accepted by the taxation authorities. The Interpretation did not have an impact on the consolidated financial statements of the Group.

AASB 2017-7 Amendments to Australian Accounting Standards – Long-term Interests in Associates and Joint Ventures

The amendments clarify that an entity applies AASB 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in AASB 9 applies to such long-term interests.

The amendments also clarified that, in applying AASB 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying AASB 28 *Investments in Associates and Joint Ventures.*

These amendments had no impact on the consolidated financial statements as the Group does not apply AASB 9 to its long-term interests in associates and joint ventures, and loans to associates are separately recorded.

Amendments to AASB 3 Business Combinations

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in that joint operation.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2019.

These amendments had no impact on the consolidated financial statements of the Group as there is no transaction where joint control was obtained in stages.

Amendments to AASB 11 Joint Arrangements

A party that participates in but does not have joint control might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in AASB 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies these amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 July 2019.

These amendments had no impact on the consolidated financial statements of the Group as there is no transaction where the Group participated in a joint operation where subsequently joint control was obtained.

Amendments to AASB 112 Income Taxes

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where it originally recognised those past transactions or events.

An entity applies the amendments for annual reporting periods beginning on or after 1 July 2019. When the entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period.

Since the Group's current practice is in line with these amendments, the had no impact on the consolidated financial statements of the Group.

Amendments to AASB 123 Borrowing Costs

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

The entity applies the amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 July 2019.

Since the Group's current practice is in line with these amendments, they had no impact on the consolidated financial statements of the Group.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 New and revised standards that are issued but not effective for these financial statements

AASB 2014–10 Amendments to Australian Accounting Standards – 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 and associate or joint venture, any gain or loss recognised will depend on whether the assets or subsidiary constitute 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 involving an associate or a joint venture that is accounted for using the equity method. Corresponding amendments have also been made to AASB 128.

The mandatory effective date of AASB 2014–10 has been deferred to 1 January 2022 by AASB 2017–5.

AASB 2018-6 Amendments to Australian Accounting Standards – Definition of a Business

AASB 2018-6 amends AASB 3 to clarify the definition of a business, assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

The amendments:

- clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;
- remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs;
- add guidance and illustrative examples to help entities assess whether a substantive process has been acquired;
- narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs; and
- add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

When these amendments are first adopted for the year ending 30 June 2021, the amendment is not expected to have a material impact on the financial statements.

AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material

AASB 2018-7 principally amends AASB 101 *Presentation of Financial Statements* and AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. The amendments refine the definition of material and its application by improving the wording and aligning the definition across the Australian Accounting Standards and other publications. The amendment also includes some supporting requirements in AASB 101 in the definition to give it more prominence and clarifies the explanation accompanying the definition of material.

When these amendments are first adopted for the year ending 30 June 2021, the amendment is not expected to have a material impact on the financial statements.

AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework

AASB 2019-1 amends Australian Accounting Standards, Interpretations and other pronouncements to reflect the issuance of the revised Conceptual Framework for Financial Reporting (Conceptual Framework).

The application of Conceptual Framework is limited to for profit entities that have public accountability.

When these amendments are first adopted for the year ending 30 June 2021, the amendment is not expected to have a material impact on the financial statements.

2.4 Basis of consolidation

The Group financial statements consolidate those of the Parent Company, PPK Group Limited, and all of the entities that the Group controls at 30 June each year.

The Parent Company 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.

Non-controlling interests, presented as part of equity, represent the portion of an entity's profit or loss and net assets that is not held by the Group.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Group attributes total comprehensive income or loss of an entity between the owners of the parent and the non-controlling interests based on their respective ownership interests. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

2.5 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. 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.

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.

2.6 Investment in joint venture

A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

The Group has a contractual arrangement whereby decisions about the relevant activities of the joint venture require the unanimous consent of the joint venturers that control the joint venture. A joint venture is accounted for in the consolidated financial statements as an investment and accounts for the investment using the equity method of accounting. Under the equity method the Group's share of the post-acquisition other comprehensive income or loss of the joint venture is recognised in consolidated profit or loss and the Group's share of the post-acquisition movements in reserves of the joint venture is recognised in consolidated other comprehensive income. However, before applying equity accounting, the Group adjusts for any post-acquisition movements attributable to investments in subsidiaries of the Group. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends and distributions received from the joint venture reduces the carrying amount of the investment in the consolidated financial statements.

Any goodwill or fair value adjustment attributable to the Group's share in the joint venture is not recognised separately and is included in the amount recognised as an investment.

When the Group's share of post-acquisition losses in a joint venture exceeds its interest in the joint venture (including any unsecured receivables), the Group does not recognise further losses unless it has obligations to, or has made payments, on behalf of the joint venture.

2.7 Investments in associates

Associates are entities over which the Group has significant influence but not control. Associates are accounted for in the consolidated financial statements using the equity method of accounting. Under the equity method the Group's share of the post-acquisition other comprehensive income or loss of the associates is recognised in consolidated profit or loss and the Group's share of the post-acquisition movements in reserves of associates is recognised in consolidated other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends and distributions received from associates reduce the carrying amount of the investment in the consolidated financial statements.

Any goodwill or fair value adjustment attributable to the Group's share in the associate is not recognised separately and is included in the amount recognised as investment.

When the Group's share of post-acquisition losses in an associate exceeds its interest in the associate (including any unsecured receivables), the Group does not recognise further losses unless it has obligations to, or has made payments, on behalf of the associate.

2.8 Foreign currency translation

The consolidated financial statements are presented in Australian Dollars ($AUD), which is also the functional currency of the Parent Company.

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 and loss.

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

2.9 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 (i.e. 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:

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

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

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

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

Lease Income on operating leases

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

Interest income

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

Government Grants

Income from government grants are recognised at their fair value where there is a reasonable assurance that the grant will be received, and the Company will comply with all attached conditions. When the grant relates to an income item, it is recognised in the profit and loss when the Company will comply with all attached conditions. When the grant relates to an expense item, it is recognised in the profit and loss as other operating income on a systematic basis over the periods in which the Company recognises as expense the related costs for which the grants are intended to compensate. When the grant relates to an asset, it is presented in the statement of financial position by deducting the grant in arriving at the carrying amount of the asset.

2.10 Operating expenses

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

2.11 Share-based payments

The Group operates equity-settled share right-based incentive plans for its directors and employees. None of the Group'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 are measured at their fair values. Where directors and employees are rewarded using share right-based payments, the cost of directors' and employees' services is determined by the fair value at the date when the grant is made using an appropriate valuation model and revalued when modified. Market performance conditions and service conditions are reflected within the grant date fair value.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 is allocated over the vesting period, based on best available estimate of the number of share rights expected to vest.

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

When the terms of an equity-settled award are modified, the minimum expense recognised is 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, is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

2.13 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.

2.13 Cash

For the purposes of the statement of cash flows, cash includes cash on hand, and at call deposits with banks or financial institutions, net of bank overdrafts as they are considered an integral part of the Group's cash management.

2.14 Trade receivables and other receivables

The Group makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance at the amount equal to the expected lifetime credit losses. The Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix which is based on the historical credit loss experience for the customer segments. At every reporting date, the historical credit loss experience is reviewed and updated, if appropriate, and changes in the forward-looking estimates are analysed.

All financial assets, except for those at fair value through profit or loss (FVPL), are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

2.15 Contract assets

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

- the costs relate directly to a contract or an anticipated contract that the Group can specifically identify;
- the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations of the future; and
- the costs are expected to be recovered.

The revenue for these costs will be recognised in rendering of services (see Note 2.9).

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.

2.16 Inventories

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

2.17 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.

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)

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate Straight Line
Buildings	2.5 %
Leasehold Improvements	over the term of the lease
Plant & Equipment	3-50 %

2.18 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.

2.19 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 Company's investment in Zeta Energy LLC is 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 2.14.

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).

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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 listed equity investments are recognised as other income in the statement of profit or loss when the right of payment has been established.

Derecognition

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

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

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

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

Impairment

Further disclosures relating to impairment of financial assets are also provided in Note 2.26.

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 financial statements.

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,

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.

2.20 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.

2.21 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.

2.22 Employee benefit provisions

Salary, wages and annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled wholly within 12 months of the end of the reporting period 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.

2.23 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 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.

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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

PPK Group Limited and its wholly owned Australian subsidiaries have implemented the tax consolidation legislation and entered into a tax sharing agreement for the whole of the financial year, where each subsidiary will compensate PPK Group Limited for the amount of tax payable that would be calculated as if the subsidiary was a tax paying entity. PPK Group Limited 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. PPK Group Limited 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 for the whole of the financial year. 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.

2.24 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.

2.25 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.

2.25.1 Right-of-use assets

The Group recognises 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 are 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	3 years
• Plant and equipment	2 to 3 years
• Motor vehicles and other equipment	2 to 4 years

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.

The right-of-use assets are also subject to impairment (see Note 2.26).

2.25.2 Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or rate, and amounts expected to be paid under residual lease guarantees. The lease payments also include 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 do not depend on an index or a rate are 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 uses its incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is 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.

The Group's lease liabilities are included in lease and other liabilities and lease liabilities (see Note 25).

2.25.3 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.

2.25.4 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

When assets are leased out under finance leases, the present value of the lease payments is recognised as a lease receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

Lease income is recognised over the lease term using the net investment method which reflects a constant periodic rate of return.

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

The Group has the option, under the property leases, to lease the assets for an additional term of five years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all the relevant factors that create an economic incentive for it to exercise the renewal and reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (i.e. change in business strategy). The Group did not include the renewal period as part of the lease term. PPK has 2 property leases that have options to extend for a further 5 years as at 31 July 2022. Should the Group exercise the option, the lease will be renewed at a market rate determined at that time.

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 (see Note 2.15).

Impairment of raw materials and finished goods

Management has used significant judgement to determine the net realisable value, based on the most reliable evidence available at the time the estimates are made, of the amount that inventories are expected to realise and the estimate of costs to complete (see Note 2.16). 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:

1. 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.

2. Management then reviews the remainder of the stock items and, for those which management consider to be slow moving:
   - Provides for 15% of the inventory value as impaired for those stock items with stock holdings of 1 to 2 years;
   - Provides for 35% of the inventory value as impaired for those stock items with stock holdings of 2 to 3 years;
   - Provides for 55% of the inventory value as impaired for those stock items with stock holdings of 3 to 4 years;
   - Provides for 75% of the inventory value as impaired for those stock items with stock holdings of 4 to 5 years;
   - Provides for 95% of the inventory value as impaired for those stock items with stock holdings of more than 5 years.

3. 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.

4. 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 2020 financial year resulted in no inventory impairment provision (2019: $0.483M reversal of previous inventory impairment (see Note 2.16 and Note 16) to account for inventories to net realisable value and a total provision of $5.158M (2019: $5.524M).

Impairment of work in progress

Management has used significant judgement to determine the net realisable value, based on the most reliable evidence available at the time the estimates are made, of the amount that work in progress are expected to realise and the estimate of costs to complete (see Note 2.16 and Note 16). The net realizable value is based on management's analysis of work in progress for individual jobs on a three step process:

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2. 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;

3. 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

The Group capitalises costs for product development projects. Initial capitalisation of costs is based on Management's judgement, after making inquiries from engineers, scientists 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.

In the technology segment, this includes significant investment in the development of new manufacturing processes to produce 99% pure BNNT in commercial quantities in batch production and ultimately in continuous production. Further investment is incurred in BNNT application projects to undertake the research and development of new and existing technologies and products where BNNT can be used to create and/or improve these technologies and products.

In the mining services segment, 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 (2019: nil) (see Note 2.18).

Key assumptions used by Management in their assessment include customer projections of future capital spend for load haul dump machines and mantransporters and a discount rate of 9.20%.

New CoalTram sales of between 4 and 6 over a five year period commencing 2021 based on discussions with customers, known mine expansion plans, estimated new mines opening and estimated retirement of existing LHDs in operation. Gross margins are based on projections as estimated by the Executive Director – Mining using cost to build, core inventory parts in stock at impaired value and sale price of comparative LHDs sold in the industry.

Mantransporter sales of between 6 and 12 for both hard rock mining and underground coal mining commencing 2021 based on discussions with hard rock mining companies and current customers. Gross margins are based on projections as estimated by the Executive Director – Mining using costs to build a prototype machine as an estimated cost and sale price based on discussions with hard rock mining companies and current customers.

Discount rate – the after tax discount rate of 9.20% was calculated based on the Group's weighted average cost of capital, a five year beta for the Group, risk free rate based on 10 year Australian government treasury bonds, a market risk premium of 5.9% and a calculated after tax cost of debt of 3.45% based on the Group's current cost of debt. In 2019, the discount rate was 6.22% primarily due to the beta for the Group being 84% higher than the industry average in 2019.

In 2019, new CoalTram sales were projected to be between 6 and 12 over a five year period commencing 2020. Gross margins assumed were comparable to 2020.

In 2019, Mantransporter sales were projected to be between 12 to 24 for both hard rock mining over a five year period commencing 2021 and for underground coal mining commencing 2022. Gross margins assumed were approximately 50% lower than 2020 primarily due to an estimated lower cost to build in the 2020 projections.

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

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 disclosed in Note 14.

Investment in a joint venture

Management has used significant judgement to determine there was no objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the investment which might impact on the estimated future cash flows from the investment. Based on the information available to Management, there was no impairment indicators for the investments in a joint venture at the reporting date (see Note 19).

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in equity instruments

Management has used significant judgement to determine the fair value of the investment in Zeta Energy LLC which Li-S Energy Limited has made an investment in (see Notes 18 and 20).

Contingent consideration

Management has used significant judgement to estimate the future earnings before interest and tax of AICIC to determine the probability of a payout of the contingent consideration resulting from the acquisition of AICIC in the 2019 financial year is unlikely, which resulted in a reversal of contingent consideration liability of $9.041m to other operating income (see Note 28).

Share-based payments

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. The Group has a long term incentive (LTI) in place which is managed by a Trust on behalf of directors, an executive and senior managers who are 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 directors and employees continuing their employment to the vesting date. The Group uses an independent third party to measure the fair value of equity-settled transactions with employees at the grant date using a Monte-Carlo Simulation methodology. This estimate requires determination of the most appropriate inputs to the valuation model including the expected life of the performance right, the risk free rate, dividend yield and volatility and making assumptions about them. No additional expense was recognised for the modification as the total remuneration values was equal under the original LTI and the modified LTI. The board considered there to be no change in the original vesting conditions.

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.

No deferred tax assets were recognised during the year. No impairment of previously recognised deferred tax assets was recognised during the year (2019: $nil) (see Note 7).

2.28 Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of PPK Group Limited, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares during the year.

Diluted earnings per share

Earnings used to calculate diluted earnings per share are calculated by adjusting the basic earnings by the after-tax effect of dividends and interest associated with dilutive potential ordinary shares. The weighted average number of shares used is adjusted for the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

2.29 GST

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

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

2.30 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.

The Mining Segment started the financial year very strong but the decrease in coal prices, combined with the impact of COVID-19 on international markets, resulted in lower profits over the last three months than expected. The Mining Segment increased revenues by 17% this financial year and achieved an earnings before interest and tax of $5.342M and a segment profit of $2.676M (see Note 4.1) (2019: $4.786M and $3.765M).

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

On 26 August 2020, 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:

- During the whole the of 2020 financial year, and at all times subsequent, the Group has been able to meet its obligations as and when they fell due;
- The Group has current assets of $24.663M, of which $10.292M is highly liquid, with net working capital of $16.916M;
- PPK paid an interim dividend of $0.01 per share and declared a final dividend of $0.01 per share;
- The Group has no fixed interest debt financing required to be paid and the Directors are confident that additional debt financing would be available, if required;
- The Group has a finance facility up to a maximum of $4.000M from a major Australian bank secured against the debtors of PPK Mining Equipment Pty Ltd, secured by a guarantee and indemnity from PPK Group Limited, PPK Mining Equipment Group Pty Ltd and the subsidiaries of the mining division. This facility has not been drawn down.
- Industry conditions and the operating performance of the group's mining equipment segment has been slowed down in recent months due to the impact of COVID-19 but we are seeing signs of improvement;
- The Group had one capital raise during the year for a net total of $8,049M, at $4.25 per share, and has a history of strong support from the majority of shareholders and has an expectation that this will continue;
- Li-S Energy Limited, a 58% owned subsidiary, completed a $3.250M capital raising in June 2020 and issued 2.0% of Li-S Energy's share capital to Zeta Energy LLC and received 2.0% of the non-voting limited liability interest in Zeta Energy LLC, who was valued at USD70 million pre capital raise, thus valuing Li-S Energy Limited of more than $100M;
- The Group has a joint venture with Deakin University to commercialise Deakin University's patented Boron Nitride Nanotubes (BNNT) manufacturing technology. The joint venture is in the process of building the manufacturing plant and on 10 June 2020 Deakin University advised the Group that they are producing 10 grams of 99% pure BNNT from a single furnace in a single shift and has recently ordered additional plant and equipment to ramp up production.

NOTE 3 REVENUE AND OTHER OPERATING INCOME

3.1 Revenue from contracts with customers

Disaggregated revenue information

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

		Consolidated Entity	
		2020	2019
Segments	**Notes**	**$000**	**$000**
Type of goods or services			
Sale of goods	2.9	15,225	14,355
Rendering of services	2.9	24,622	24,566
Total revenue from contracts with customers		**39,847**	**38,921**
Rental income		1,255	2,011
Total revenue		**41,102**	**40,932**
Timing of revenue recognition			
Goods transferred at a point in time		15,225	14,355
Services rendered over time		24,622	24,566
Total revenue from contracts with customers		**39,847**	**38,921**

Geographic location of Customers

The Group primarily operates in Australia with less than 1% of its revenue from the mining equipment segment from customers located overseas. The geographical location of receivables, relating to these sales, is disclosed in Note 31.2 of these accounts.

Customer Concentration

The mining equipment segment revenue are concentrated on the top three customers as follows:

		Consolidated Entity	
		2020	2019
	Notes	**$000**	**$000**
Customer 1		14,972	14,476
Customer 2		9,898	9,591
Customer 3		7,269	5,551

3.2 Other Operating Income

Net gain on sale of fixed assets		18	198
Net gain on revaluation of FVTPL financial assets		36	4
Reversal of contingent consideration on acquisition	28	9,041	-
Grant income		50	-
Recovery of debt previously written off		264	-
Net gain on sale of available-for-sale financial assets		-	618
Sundry income		38	15
		9,447	835

NOTE 4 SEGMENT INFORMATION

The Group applies AASB 8 Operating Segments whereby segment information is presented using a "management approach" i.e. segment information is provided on the same basis as information used for internal reporting purposes by the chief operating decision makers.

Operating segments have been determined on the basis of reports reviewed by the Directors. The Directors are considered to be the chief operating decision makers of the Group. The reportable segments for 30 June 2020 are as follows:

- Technology - to expand and profit from the manufacture of high-grade boron nitride nanotubes (BNNT) in commercial quantities using Deakin University's patented technology to;
    - supply BNNT to select industries to enable industries to enable further research and development into the blending/infusing of BNNT into conventional materials. This process can be transformative in terms of reduced weight and increased strength; and
    - maintain an ongoing equity interest in selected BNNT product applications such as armaments (Craig International Ballistics Pty Ltd and Ballistic Glass Pty Ltd), lithium sulphur battery products (Li-S Energy Limited and Zeta Energy LLC), dental applications (3D Dental Technology Limited) and precious metals (BNNT Precious Metals Limited).
- Mining services - the design, manufacture, service, support and distribution of CoalTram and other underground diesel vehicles, alternators, electrical equipment, drilling and bolting equipment and mining consumables and the hire of underground coal mining equipment.

4.1 Year ended 30 June 2020

Reportable Segments	Notes	Technology $000	Mining Equipment $000	Total $000
Revenue from contracts with customers		-	39,847	39,847
Rental income		-	1,255	1,255
Total revenue		-	41,102	41,102
Other income				
Share of profit of associates and a joint venture		766	-	766
Net profit on disposal of property, plant and equipment		-	18	18
Grant income		-	50	50
Foreign exchange gain (loss) on financial assets at fair value through profit or loss		36	-	36
Sundry income		-	8	8
		802	76	878
Total revenue and other income		802	41,178	41,980
Segment expenses include		-	-	-
Cost of sales		-	(29,632)	(29,632)
Employee expenses		-	(2,929)	(2,929)
Administration expenses		(231)	(2,408)	(2,639)
Warranty costs		-	(416)	(416)
Allowance for expected credit losses		-	-	-
Short-term leases		-	(351)	(351)
Impairment of plant and equipment		-	(100)	(100)
Total expenses		(231)	(35,836)	(36,067)
Earnings before interest, tax, depreciation and amortisation		571	5,342	5,913
Depreciation and amortisation		-	(2,380)	(2,380)
Interest expense – other		-	(286)	(286)
Income tax benefit (expense)		(240)	-	(240)
Segment profit (loss)		331	2,676	3,007
Reconciliation of segment profit (loss) to group net profit before tax				
Amounts not included in segment profit but reviewed by the Board:				
Reversal of contingent consideration on acquisition				9,041
Recovery of debt previously written off				265
Other income				34
Unallocated corporate expense				(2,287)
Unallocated share based payment expense				(967)
Unallocated costs to defend a dispute of a business acquisition made in 2014				(550)
Short-term leases				(229)
Consolidated profit (loss) from continuing operations after income tax attributable to owners of PPK Group Limited				8,314
Non-current assets		28,098	9,987	38,085
Segment assets		2,250	19,897	22,147
Unallocated				4,007
Total assets		30,348	29,884	64,239

NOTE 4 SEGMENT INFORMATION (continued)

	Notes	Technology $000	Mining Equipment $000	Total $000
Non-current liabilities		-	2,295	2,295
Segment liabilities		160	7,430	7,590
Unallocated				161
Total liabilities		160	9,725	10,046

4.2 Year ended 30 June 2019

	Notes	Investing $000	Technology $000	Mining Equipment $000	Total $000
Revenue from contracts with customers		-	-	38,921	38,921
Rental income		-	-	2,011	2,011
Total revenue		-	-	40,932	40,932
Other income					
Net profit on disposal of property, plant and equipment		-	-	198	198
Net gain on sale of FVTPL financial assets		618	-	-	618
Interest income		10	-	-	10
Sundry income		-	-	19	19
		628	-	217	845
Total revenue and other income		628	-	41,149	41,777
Segment expenses include					
Cost of sales		-	-	(28,492)	(28,492)
Employee benefits expenses		-	-	(2,765)	(2,765)
Defined contribution superannuation expense		-	-	(247)	(247)
Administration expenses		(5)	(25)	(3,200)	(3,230)
Rental expense on operating lease		-	-	(2,030)	(2,030)
Warranty costs		-	-	(10)	(10)
Allowance for credit losses		-	-	(102)	(102)
Impairment of financial assets at fair value through profit or loss		(2)	-	-	(2)
Reversal of inventory impairment			-	483	483
Acquisition costs		-	(135)	-	(135)
Total expenses		(7)	(160)	(36,363)	(36,530)
Earnings before interest, tax, depreciation and amortisation		621	(160)	4,786	5,247
Depreciation and amortisation		-	-	(754)	(754)
Interest expense – director related entities		-	-	(124)	(124)
Interest expense – other		-	-	(143)	(143)
Segment profit (loss)		621	(160)	3,765	4,226
Reconciliation of segment profit (loss) to group net profit before tax					
Amounts not included in segment profit but reviewed by the Board:					
Unallocated corporate expense					(2,105)
Unallocated share based payment expense					(321)
Consolidated operating profit (loss) before income tax					1,800
Income Tax benefit (expense)					-
Consolidated profit (loss) after income tax attributable to owners of PPK Group Limited					1,800
Non-current assets		-	19,340	6,911	26,251
Segment assets		-	19,357	28,518	47,875
Unallocated					157
Total assets			19,357	28,518	48,032
Segment liabilities		-	-	8,512	8,512
Unallocated					
Total liabilities		-	-	8,512	8,512

NOTE 5 SHARE BASED PAYMENT EXPENSE

The company has two shared payment programs for employee remuneration; the Employee Share Plan and the Long Term Incentive Plan.

Exempt Employee Share Plan (ESS)

The Board has the ability to determine the terms and conditions on which qualifying employees may be invited to participate in the ESS. In this reporting period, the Board offered those qualifying employees to apply for up to $1,000 worth of fully paid ordinary shares in the capital of PPK. A total of 138 employees accepted the offer and 0.024M shares were allotted in February 2020. Employees are restricted selling, transferring or otherwise dealing with their shares for three years while they are an employee of the Group.

Long Term Incentive Plan (LTI)

PPK has an LTI in place which is managed as a Trust on behalf of an executive director, executives and senior managers of the Group. The Directors determine who will be 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 executive director and employees continuing their employment to the vesting date. The LTI was approved by shareholders at the Annual General Meeting on 27 November 2018.

At the time that the Directors set the share price targets, PPK shares were trading at $0.21 per share and the performance rights to be issued were 2,920,000. As a result of the increase in PPK's share price, the share price targets were met and the vesting conditions are now subject to the executive director and employees continuing their employment to the vesting dates. However, the Board considered that as the intent was to reward the executive director, executives and senior managers with a value of shares equivalent to their total remuneration to be realised over a period of time, the ASX announcement on 13 November 2018 for the Group to acquire 100% of the shares in AICIC, and the resulting strategic 50% holding in BNNTTL led to a significant increase in the PPK share price in a short period of time and that this was not the direct outcome of the executive director, executives or senior managers actions.

As a result, in July 2019 post year end, the board offered a lesser number of performance rights, based on the higher share price, to the executive director, executives and senior managers that would deliver a total remuneration value that was equal under the original LTI and the modified LTI. The board considers there to be no change in the original vesting conditions. As a result, the share price targets, based on a 5 trading day volume weighted average price, the vesting conditions and the total number of performance rights offered, as modified in July 2019, are:

Share Price Targets	Vesting Conditions	Original No of Performance Rights	Amended No of Performance Rights
$0.30 per share by 1 January 2019	Fully vest on 1 January 2020	730,000	260,000
$0.40 per share by 1 January 2020	Fully vest on 1 July 2020	730,000	260,000
$0.50 per share by 1 January 2021	Fully vest on 1 January 2021	730,000	260,000
$0.60 per share by 1 January 2021	Fully vest on 1 July 2021	730,000	260,000
		2,920,000	1,040,000

Under the Trust Deed, 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.

The fair value of the Performance Rights granted were determined using a Monte Carlo Simulation Methodology for 1.000M simulations for each tranche with a valuation date of 27 November 2018. The following principal assumptions were used in the valuation:

	Tranche 1	**Tranche 2**	**Tranche 3**	**Tranche 4**
Performance Condition	$0.30	$0.40	$.050	$0.60
5 day VWAP to be equal to or exceed share price				
Performance Period				
Period to achieve performance condition (months)	1.15	13.14	25.17	25.17
Non-market based vesting condition				
Period to remain employed by Company (months)	13.14	19.12	25.17	31.11
Amended number of shares to be issued if conditions met	260,000	260,000	260,000	260,000
Original number of shares to be issued if conditions met	730,000	730,000	730,000	730,000
Key Inputs				
Valuation Date	27/11/18	27/11/18	27/11/18	27/11/18
PPK share price at start of Valuation Date	$0.50	$0.50	$0.50	$0.50
Risk-free Rate[1]	1.95%	2.01%	2.02%	2.05%
Dividend Yield	0.00%	0.00%	0.00%	0.00%
Volatility[2]	54.00%	54.00%	54.00%	54.00%
Fair Value of the Performance Right	**$0.500**	**$0.500**	**$0.486**	**$0.430**

1. The risk-free rate was determined to be the yield to maturity of an Australian government security on the Valuation Date with a term equal to the later of: (a) the performance period to achieve condition; and (b) the earliest the Right can vest for each tranche.

2. The volatility was determined to be the standard deviation of the continuously compounding daily change in price of the Company's shares over a 13 month period being the term of Tranche 1.

NOTE 6 CASH FLOW INFORMATION

	Notes	Consolidated Entity 2020 $000	2019 $000
6.1 Reconciliation of profit (loss) after income tax to the cash provided by operating activities			
Profit (loss) after income tax from continuing operations		8,314	1,800
Cash flows in operating activities but not attributable to operating result:			
Non-cash flows in operating profit:			
Unrealised foreign exchange (gain) loss	4.1	(36)	(4)
Amortisation		35	-
Depreciation		2,358	758
Make good provision		(40)	-
Impairment of financial assets at fair value through profit or loss		-	2
Impairment of plant and equipment	4.1	100	-
Reversal of contingent consideration on acquisition	28	(9,041)	-
Share of profit of associates and a joint venture, after tax		(526)	-
Share based payments	4.1	967	321
Loss (profit) on sale of financial assets at fair value through profit or loss		-	(618)
Loss (gain) on sale of plant & equipment	4.1	(18)	(198)
Changes in assets and liabilities:			
Decrease (increase) in trade and other receivables		2,461	(2,723)
Decrease (increase) in prepayments		340	(457)
Decrease (increase) in inventories		(1,343)	(1,052)
(Decrease) increase in provisions		343	(626)
(Decrease) increase in trade creditors and accruals		(599)	1,096
Net cash (used in) provided by operating activities		3,315	(1,701)
6.2 Reconciliation of Cash			
For the purposes of the cash flow statement, cash includes:			
Cash on hand		1	1
Call deposits with financial institutions		2,308	1,046
Cash held in trust		3,035	-
	13	5,344	1,047

6.3 Non cash financing activities – dividend reinvestment, fair value of shares issued for Zeta Energy LLC and CIB consideration (Notes 10, 18, 19 and 20)

NOTE 7 INCOME TAX EXPENSE

	2020	2019
(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	8,254	1,800
Prima facie tax payable (benefit) at 27.5% (2019: 27.5%)	2,270	495
(Non-assessable income) non-deductible expenses	(2,616)	41
Current year losses for which no deferred tax asset was recognised	1,046	(38)
Current year temporary differences for which no deferred tax asset or liability was recognised	(700)	(498)
Share of associates tax expenses	240	-
Income tax expense (benefit)	240	-
The applicable weighted average effective tax rates are as follows:	2.9%	0%
(b) The components of tax expense comprise:		
Current tax	-	-
Deferred tax	-	-
Share of associates tax expenses	240	-
(Over) provision in respect of prior years	-	-
Income tax expense (benefit)	240	-

NOTE 7 INCOME TAX EXPENSE (continued)

	Notes	Consolidated Entity 2020 $000	2019 $000
(c) Recognised in the Statement of Financial Position			
Deferred tax assets – tax losses		-	188
Deferred tax assets – temporary differences		1,121	-
Deferred tax liabilities – temporary differences		(1,121)	(188)
Total		-	-

(i) At 30 June 2020, with the reversal of the contingent consideration shown in Note 28, the tax base of the Group's investment in BNNT Technology Limited is adjusted. As a result of the adjustment in the tax base, with no adjustment to the accounting value a deferred tax liability of $2.75 million results. The Group has sufficient income tax losses to recognise and offset this balance and as a result no net deferred tax liability is recognised. These amounts are not shown in the values above.

(d) Not recognised in the Statement of Financial Position			
Unrecognised deferred tax assets/deferred tax liabilities			
Tax losses (ii)		5,596	4,715
Temporary differences		7	-
Total		5,603	4,715
Movements			
Opening balance		4,715	7,673
Tax losses not recognised current year		339	(38)
Adjustment for change in applicable tax rate		-	(639)
Adjustment in respect of current income tax of previous years		380	(1,783)
Temporary differences not recognised current year		7	(498)
Adjustment related to transfer of losses from acquisition		162	-
Closing balance		5,603	4,715

See Note 2.26 for more detail.

(ii) Amount shown is prior to the deduction of amounts shown in Note c(i) above.

NOTE 8 AUDITORS' REMUNERATION

	$	$
Remuneration of the auditor of the Group, parent entity and controlled entity for:		
- auditing or reviewing the financial report		
EY	149,800	118,000
- Other – tax compliance and other corporate compliance matters		
EY	100,250	7,600
	250,050	125,600

Audit and other fees for 2019 were paid to Grant Thornton.

NOTE 9 KEY MANAGEMENT PERSONNEL REMUNERATION

9.1 Key management personnel remuneration

	$	$
Short-term benefits	1,223,460	930,129
Share-based payments	661,935	195,955
Post-employment benefits	50,000	25,000
	1,935,395	1,151,084

During the reporting period, the Group recognises the Directors and the Chief Financial Officer/Chief Operating Officer as being the only key management personnel (see Note 34). See the Directors' Report for details of their remuneration policy and benefits.

9.2 Equity Instruments

Two Directors and the Chief Financial Officer/Chief Operating Officer participate in the PPK Long Term Incentive Plan, subject to retention of their services to meet the vesting conditions (see Note 34). The issuance of performance rights were approved by the shareholders at the last two Annual General Meetings.

9.3 Loans

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

NOTE 10 DIVIDENDS

	Notes	Consolidated Entity 2020 $000	Consolidated Entity 2019 $000
(a) Dividends paid			
2020 1 cent interim ordinary fully franked dividend was declared or paid (2019: 1 cent ordinary fully franked dividend)		852	712
2020 No final ordinary dividend was declared or paid (2019: nil)		-	-
		852	712
(b) Dividends declared after balance date			
The directors have declared a 1 cent final ordinary fully franked dividend for the 2020 financial year (2019: 1 cent ordinary fully franked dividend).		856	825
(c) Franked dividends			
Franking credits available for subsequent financial years based on a tax rate of 27.5% (2019 – 27.5%)		1,079	1,402

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:
(1) franking credits that will arise from the payment of the current tax liability;
(2) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date;
(3) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date; and
(4) franking credits that may be prevented from being distributed in subsequent financial years.

The consolidated amounts include franking credits that would be available to the parent entity if distributable profits of subsidiaries were paid as dividends.

(d) reconciliation of dividends paid

	Consolidated Entity $000 Cash	$000 Dividend Reinvestment Plan	$000 Total
2020 1 cent interim ordinary fully franked dividend paid	380	472	852
2019 1 cent final ordinary fully franked dividend paid	348	477	825
	728	949	1,677
Dividends for treasury shares	(6)	(7)	(13)
	722	942	1,664
2019 1 cent interim ordinary fully franked dividend paid	164	548	712
2018 1 cent final ordinary fully franked dividend paid	-	-	-
	164	548	712

NOTE 11 EARNINGS PER SHARE

	2020	2019
Earnings per share (in cents)		
Basic	9.8	2.6
Diluted	9.7	2.6
Earnings per share from continuing operations (in cents)		
Basic	9.8	2.6
Diluted	9.7	2.6
Earnings per share from discontinued operations (in cents)		
Basic	-	-
Diluted	-	-
	$000s	$000s
(a) Reconciliation of Earnings to Net Profit		
Earnings used in calculating Basic and Dilutive EPS from continuing operations	8,314	1,800
Earnings used in calculating Basic and Dilutive EPS from discontinued operations	(60)	-
Profit (loss) for the year	8,254	-
	No.	No.
(b) Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	84,334,389	70,135,788
Effects of dilution from:		
Employee performance rights	757,500	1,040,000
Less employee performance rights held as treasury shares	-	(695,122)
(c) Weighted average number of potential ordinary shares outstanding during the year used in calculation of diluted EPS)	85,091,889	70,480,666

NOTE 12 PARENT ENTITY INFORMATION

The following detailed information relates to the parent entity, PPK Group Limited at 30 June 2020. The information presented here has been prepared using consistent accounting policies as presented in Note 2.

	Notes	2020 $000	2019 $000
Current assets		1,101	1,177
Non-current assets		44,051	32,765
Total assets		45,152	33,942
Current liabilities		309	9
Non-current liabilities		-	9,041
Total liabilities		309	9,050
Net assets		44,843	24,892
Contributed equity [1]		59,500	47,743
Retained earnings		(14,657)	(22,851)
Total equity		44,843	24,892
Profit (loss) for the year (including impairments) [2]		9,872	(5,138)
Dividends paid		(1,678)	(721)
Other comprehensive income (loss) for the year		-	-
Total comprehensive income (loss) for the year		8,194	(5,859)

[1] In addition to the Parent Entity contributed equity, the Group's consolidated Contributed Equity includes Treasury Shares of $0.227M (see Note 28.4).

[2]Non-current asset balances include investments in subsidiaries which are held at cost or net recoverable value after impairments. In the prior year the investments in the property entities have been impaired to ensure they are carried at no more than their recoverable amount. The total amount of the impairment was $7.733M.

See Note 33 for contingent assets and liabilities.

NOTE 13 CASH AND CASH EQUIVALENTS – CURRENT

	Notes	Consolidated Entity 2020 $000	 2019 $000
Cash at bank and on hand	6.2	2,309	1,047
Cash held in trust	6.2	3,035	-
Total		**5,344**	**1,047**

NOTE 14 TRADE AND OTHER RECEIVABLES - CURRENT

Current		
Trade receivables	6,324	8,757
Less: allowance for expected credit losses	-	(102)
	6,324	8,655

Ageing Analysis	**Current $000**	**> 30 days $000**	**Total $000**
	6,190	134	6,324

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. At 30 June 2020 no significant provision was determined to be required for these customers.
- 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 provision matrix for expected credit losses, based on historical credit loss experience for the other customer segment is as follows:

	Current	30 days past due	31 to 60 days past due	61 to 90 days past due	More than 90 days past due
Historical loss rate	1%	2%	23%	64%	79%

NOTE 15 CONTRACT ASSETS - CURRENT

	Notes	Consolidated Entity 2020 $000	2019 $000
Contract assets		1,659	1,794
Carrying amount at start of year		1,794	1,779
Consideration received for services rendered in the previous period		(1,794)	(1,779)
Revenue recognised for rendering services not yet received		1,659	1,794
Carrying amount at end of year		1,659	1,794

See Note 2.26 for more detail.

NOTE 16 INVENTORIES - CURRENT

	2020 $000	2019 $000
Inventories	10,594	9,251
At net realisable value		
Raw materials	624	322
Finished goods	5,774	4,659
Work in progress	4,196	4,270
	10,594	9,251

See Note 2.26 for more detail.

During 2020 $17.193M (2019: $17.531M) was recognised as an expense for inventories carried at net realisable value. This is recognised in cost of sales.

During the year, the Group had no impairment provisions (2019: $0.483M was reversed for a previous impairment provision).

NOTE 17 OTHER ASSETS

	2020 $000	2019 $000
CURRENT		
Prepayments	742	1,000
NON-CURRENT		
Prepayments	37	-

NOTE 18 SUBSIDIARY COMPANIES

PPK incorporated Li-S Energy Limited (Li-S Energy) as a proprietary company on 16 July 2019 as one of the initial application projects identified in the Joint Venture Research Agreement with Deakin University and announced by PPK Group Limited on 16 October 2019. Li-S Energy is registered in Queensland and has its head office at Level 27, 10 Eagle Street, Brisbane, Queensland 4000.

The principal activity of Li-S Energy is to develop and commercialise a new type of battery based on Lithium Sulphur (Li-S) and using boron nitride nanotubes (BNNT) as both an integrated protective insulation layer and a component in composite anodes which will allow faster charging rates, greater energy capacity and increased battery cycle life. This project has been under research at Deakin University for some 6 years and Deakin University has a patent pending titled "Flexible Lithium-Sulfur Batteries" and Li-S Energy has the exclusive global license to commercialise products using the patent for a period of twenty years.

On 20 February 2020, Li-S Energy completed a 500,000 for 1 share split and then transferred 25% of the shares to Deakin University for a consideration of $25 and 10% to BNNT Technology Limited for a consideration of $10.

On 16 June 2020, Li-S Energy acquired an economic interest in Zeta Energy LLC, a Delaware limited liability company that is in a pre-IPO period, by issuing 2.0% of Li-S Energy's share capital (pre Li-S Energy's capital raise) to Zeta Energy LLC and receiving 2.0% of the non-voting limited liability interest in Zeta Energy LLC (also pre-IPO capital raise and valued at USD70 million or $1.97 for each Li-S Energy share). Li-S Energy made a further cash investment of $500,000.

Zeta Energy LLC is developing and commercialising battery technology developed at Rice University in Houston, Texas and has an exclusive license to seven US and foreign patents and approximately 30 pending patents. The battery being developed uses a hybrid anode created from graphene and carbon nanotubes. Zeta Energy LLC is in the prototype development stage, within the next years would have built a low volume pilot facility and within the next 2 years would expect to have commercial sales.

Li-S Energy commenced a capital raising in May 2020 of $3.250M to issue 5.000M shares to sophisticated shareholders at $0.65 per share which was completed in June 2020, the shares were issued in July 2020 and PPK's interest was diluted to 58.0%.

On 30 June 2020, Li-S Energy became a public company.

NOTE 18 SUBSIDIARY COMPANIES (continued)

The summarised financial information of Li-S Energy is provided below. This information is based on amounts before inter-company eliminations.

	2020
	$000
Assets	
Cash and cash equivalents	3,036
Trade and other receivables	117
Other current assets	37
Intangible assets	428
Investments	2,547
Other non-current assets	37
	6,202
Liabilities	
Trade and other payables	11
Interest bearing loans	1,185
	1,196
Total identifiable net assets	5,006
Non-controlling interest	(2,102)
Net assets attributable to the Group	2,904
The summarised statement of profit or loss for 2020:	
Revenue from contracts with customers	-
Administration expenses	(62)
Finance costs	(9)
Foreign exchange gain (loss) on financial assets at fair value through profit or loss	36
Profit (loss) for the year before income tax (continuing operations)	(35)
Income tax benefit (expense)	-
Profit (loss) for the year after income tax (continuing operations)	(35)
Attributable to:	
Equity holders of parent	(21)
Non-controlling interest	(15)

See Note 34.4 for related party balances.

NOTE 19 INVESTMENTS IN ASSOCIATES AND A JOINT VENTURE - NON - CURRENT

		Consolidated Entity	
		2020	2019
	Notes	$000	$000
Investment in associates and a joint venture		25,086	19,340
19.1 Investment in a joint venture		19,236	19,340

PPK has a 50% interest in BNNT Technology Limited, a joint venture with Deakin University, by way of a contracted shareholder agreement with Deakin University and others, to commercialise Deakin University's patented Boron Nitride Nanotubes manufacturing technology. The Group's interest in BNNT Technology Limited is accounted for using the equity method in the financial statements. Summarised financial information of the joint venture, based on the audited financial statements of BNNT Technology Limited, and reconciliation with the carrying amount of the investment in the consolidated financial statements are set out below:

Summarised statement of financial position of BNNT Technology Limited:	2020	2019
Current assets (including cash and cash equivalents $0.502M, 2019 $2.443M)	672	2,462
Non-current assets	8,115	3,423
Current liabilities (including current financial liabilities excluding trade and other payables and provisions $0.060M, 2019 nil)	(177)	(137)
Non-current liabilities (including non-current financial liabilities excluding trade and other payables and provisions nil, 2019 nil)	(613)	-
Equity	7,997	5,748
Group's share in equity – 50% (2019: 50%)	3,999	2,874
Adjustment of investment in Li-S Energy at fair value	(1,179)	-
Recognition of Group's share of the profit (loss) for the year ended 30 June 2019	(50)	-
Intangibles	16,466	16,466
Group's carrying amount of the investment	19,236	19,340

NOTE 19 INVESTMENTS IN ASSOCIATES AND A JOINT VENTURE - NON – CURRENT (continued)

	Notes	Consolidated Entity 2020 $000	Consolidated Entity 2019 $000
Summarised statement of profit or loss of BNNT Technology Limited:			
Revenue from contracts with customers		14	-
Other income		3,364	20
Employee expenses		(157)	(119)
Administration expenses		(108)	(136)
Depreciation and amortisation		(261)	(7)
Finance costs		(4)	-
Foreign exchange gain (loss)		(6)	-
Profit (loss) for the year before income tax (continuing operations)		2,842	(242)
Income tax benefit (expense)		(593)	-
Profit (loss) for the year after income tax (continuing operations)		2,249	(242)
Total comprehensive income (loss) for the year after income tax (continuing operations)		2,249	(242)
Less investment in Li-S Energy at fair value		(3,250)	-
Less tax effect of investment in Li-S Energy at fair value		893	-
Adjusted total comprehensive income (loss) for the year after income tax (continuing operations)		(108)	-
Group's share of the profit (loss) for the year		(54)	(121)
Group's share of profit (loss) from acquisition to the year end 30 June 2019		(50)	-
		(104)	(121)

See Note 2.26 for more detail.

The joint venture has the following commitments to Deakin University:

- Initial $0.500M payment to develop a research plan for the joint venture;
- $2.000M per annum for research funding once BNNT Technology Limited's revenue exceeds $5.000 per annum;
- Quarterly royalty payment of 5% of the gross revenue received by BNNT Technology Limited or its sublicensees;
- To generate $50.000M of gross revenues within the first three years after the Evaluation Completion Date. Should this condition not be met, BNNT will be required to take corrective actions, which may ultimately result in the licence related to BNNT from Deakin being terminated. At 30 June 2020, the Directors have assessed that the likelihood of this occurring is less than remote.

	2020	2019
19.2 Investment in associates	5,850	-

Acquisition of Craig International Ballistics Pty Ltd (CIB)

The group acquired 45% of the ordinary shares in Craig International Ballistics Pty Ltd on 16 December 2019, an unlisted Australian company that is a leading manufacturer of soft and hard ballistic (body armour) products primarily for the security and defence sectors, with an effective date of 1 July 2019. The acquisition allows CIB to expand its product range with the application of BNNT for reinforced transport armour by developing new manufacturing processes for transparent materials such as polycarbonate, Perspex, acrylic and glass to enhance ballistic resistance performance while reducing weight and thickness.

PPK issued 0.5000M shares at $4.50 per share, total value of $2.250M, and made a cash payment of $2.750M for a total consideration of $5.000M. PPK equity accounts its investment in CIB and recognises it as an investment in an associate.

The Group's share of the fair values of the identifiable assets and liabilities of CIB as at the date of acquisition, being 1 July 2019, were:

	Fair value recognised on acquisition $000
Assets	
Cash and cash equivalents	39
Trade and other receivables	314
Inventories	984
Right-of-use assets	2,231
Intangibles	3,660
Fixed assets	1,084
	8,312
Liabilities	
Trade payables	(574)
Lease liabilities	(2,519)
	(3,093)
Total identifiable net assets at fair value	5,219
Purchase consideration transferred	5,219
Purchase consideration transferred	
Shares issued, at fair value	2,250
Cash	2,750
Transaction costs	219
	5,219

NOTE 19 INVESTMENTS IN ASSOCIATES AND A JOINT VENTURE - NON – CURRENT (continued)

CIB researches its own designs and develops its products to meet customer's specifications, thus the Group recognises the research and development as an intangible asset.

CIB has lease contracts for various items of property, equipment and vehicles and has adopted the same accounting policies as the Group as per Note 2.2.

From the date of acquisition, CIB has contributed $0.631M to profit after tax from contribution operations.

		Consolidated Entity
		2020
	Notes	$000
Investment in CIB		5,850
Current assets		4,401
Non-current assets		14,325
Current liabilities		(1,475)
Non-current liabilities		(4,250)
Equity		13,001
Group's share in equity – 45%		5,850
Group's carrying amount of investment in associate		5,850
Revenue from contracts with customers		11,296
Profit (loss) for the year before income tax (continuing operations)		1,943
Income tax benefit (expense)		(541)
Profit (loss) for the year after income tax (continuing operations)		1,402
Total comprehensive income (loss) for the year after income tax (continuing operations)		1,402
Group's share of the profit (loss) for the year		631
Investment in Ballistic Glass Pty Ltd		-

Ballistic Glass Pty Ltd was incorporated on 11 March 2020 to develop manufacturing processes for incorporating BNNT into transparent materials to enhance ballistic performance in ballistic body armour and bullet resistant glass. PPK has a 40% interest and CIB has a 20% interest in Ballistic Glass Pty Ltd. During the financial year Ballistic Glass Pty Ltd has primarily undertaken research into these projects.

Investment in 3D Dental Technology Limited		-

3D Dental Technology Limited was incorporated on 11 March 2020 to focus on the development of nanocomposites for a variety of dental materials including zirconia, lithium disilicate, alumina and composite resins based on the incorporation of BNNT matrix of these materials. On 26 June 2020, the Directors of 3D Dental Technology Limited resolved to change the company type to a public company, split the shares on a 500,000 for 1 basis with total paid up capital remaining at $100, allot 10% of the new shares to Deakin University with PPK retaining a 45% interest in 3D Dental Technology Limited. During the financial year 3D Dental Technology Limited has primarily undertaken research into these projects.

		Consolidated Entity	
		2020	2019
	Notes	$000	$000
19.3 Share of profit of an associate and a joint venture			
BNNT Technology Limited	19.1	(104)	(121)
Group's 45% interest of CIB's profit (loss) for the year before income tax (continuing operations)	19.2	880	-
		776	(121)

NOTE 20 INVESTMENT – NON – CURRENT

		Consolidated Entity	
		2020	2019
	Notes	$000	$000
Investment in Zeta Energy LLC	18	2,547	-

Investment in Zeta Energy LLC through a subsidiary company (see Note 18). Li-S Energy has a contingent liability in that if it doesn't complete its initial public offering by 31 December 2021 then 50% of the share swap will be cancelled retroactive to 16 June 2020.

NOTE 21 PROPERTY PLANT AND EQUIPMENT – NON – CURRENT

		Consolidated Entity	
		2020	2019
	Notes	$000	$000
Land and buildings – at valuation		1,500	1,500
Less: Accumulated depreciation		(34)	-
		1,466	1,500
Plant and equipment – at cost		9,609	9,036
Less: accumulated depreciation and impairment		(5,835)	(5,197)
		3,774	3,839
Total property, plant and equipment of continuing operations		5,240	5,339

	Land & Buildings $000	Plant & Equipment $000	Total $000
Consolidated – 2020			
Carrying amount at start of year	1,500	3,839	5,339
Revaluation	-	-	-
Additions	-	721	721
Disposals	-	(9)	(9)
Transfers	-	(100)	(100)
Depreciation & amortisation expense	(34)	(677)	(711)
Carrying amount at end of year	1,466	3,774	5,240
Consolidated – 2019			
Carrying amount at start of year	1,175	4,560	5,735
Revaluation	350	-	350
Additions	-	1,204	1,204
Disposals	-	(1,191)	(1,191)
Transfers	-	(6)	(6)
Depreciation & amortisation expense	(25)	(728)	(753)
Carrying amount at end of year	1,500	3,839	5,339

The land and buildings at Mt Thorley, NSW, is where the Firefly and Rambor businesses operate, and were independently valued on 11 June 2019.

NOTE 22 RIGHT-OF-USE ASSETS

Right-of-use assets – at cost	5,276	-
Less: accumulated depreciation and impairment	(1,648)	-
	3,628	-

As a result of applying, for the first time, AASB 16 the carrying amounts of the Group's right-to-use assets and the movements during the period are as follows:

	Property $000	Equipment $000	Motor Vehicles $000	Total $000
Adoption of AASB 16 as at 1 July 2019	**4,087**	**236**	**953**	**5,276**
Depreciation expense	(1,325)	(57)	(266)	(1,648)
As at 30 June 2020	**2,762**	**179**	**687**	**3,628**

The Group leases two buildings, both of which have five year lease periods with options for a further five years. Should the Group exercise the option, the lease will be renewed at a market rate determined at that time.

The Group leases a fleet of mine specified utility vehicles over a four year period from a national fleet company. The majority of the leases commenced between 18 June 2018 and 17 January 2019.

The Group leased laptops and photocopiers for a three year period commencing in July 2018 and August 2018 and recognised expense from low-value assets of $0.29M for the period ended 30 June 2020.

The Group recognised expense from short-term leases of $0.551M for the period ended 30 June 2020.

The Group has not given or received any rent concessions.

NOTE 23 INTANGIBLE ASSETS – NON - CURRENT

		Consolidated Entity	
		2020	2019
	Notes	$000	$000
Development costs - Mining equipment manufacturing - at cost		3,081	1,613
Less: Accumulated amortisation and impairment		(43)	(7)
		3,038	1,606

(Amortisation charges are included in cost of goods sold)

Development Costs			
Balance at the beginning of year		1,606	595
Additions at cost		1,467	1,018
Amortisation charge		(35)	(7)
		3,038	1,606
Not yet ready for use		2,976	1,578
Other		62	28
		3,038	1,606

Refer Note 2.18 and Note 2.26 for more detail.

NOTE 24 TRADE AND OTHER PAYABLES – CURRENT

Trade payables – unsecured		2,981	3,732
Sundry payables and accruals - unsecured		1,352	1,200
		4,333	4,932

NOTE 25 LEASE AND OTHER LIABILITIES

As a result of applying, for the first time, AASB16 the lease liabilities and movements during the period are disclosed on the consolidated statement of financial position as follows:

	Lease Liabilities
	$000
Adoption of AASB 16 as at 1 July 2019	**5,236**
Interest expense	219
Payments	(1,776)
As at 30 June 2020	**3,679**
Current	1,681
Non-current	1,998
Total	3,679

NOTE 26 INTEREST-BEARINGS LOANS AND BORROWINGS - CURRENT

BNNT Technology Limited	152	-
Other loans - secured	-	1,900
Other loans - unsecured	-	356
	152	2,256

See Note 31.

The Group has provided financing, as per the Shareholders Agreement, in the form of short term loan to fund the purchase of equipment for the Li-S battery project. The loan is interest bearing at 4.5% per annum, unsecured and was repaid on 20 July.

The Group has a finance facility up to a maximum of $4.000M from a major Australian bank (see Note 33). This facility has not been drawn down and its balance at the reporting period was nil.

NOTE 27 PROVISIONS

	Notes	Consolidated Entity 2020 $000	2019 $000
Current			
Annual leave		1,247	1,057
Long service leave		334	267
Total current		1,581	1,324
Non-Current			
Long service leave		261	215
Make good		40	-
Total Non-current		301	215

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.

Current	1,581	1,324
Non-current	301	215
Total	1,882	1,539

NOTE 28 CONTINGENT CONSIDERATION

Financial liability at fair value through profit or loss	-	9,041

See Note 2.26 for more detail.

As a consideration of the acquisition of AICIC in 2019, the Group had a contingent consideration of $10.000M to the vendor if AICIC's EBIT for the two financial years commencing subsequent to the acquisition was greater than $10.000M. The vendor is entitled to a payment of 50% of the amount of the EBIT over the $10.000M to a maximum payment of $10.000M. Under AASB 3: *Business Combinations* the Group recognised this contingent consideration at the acquisition date in the purchase price accounting, discounted to its fair value using an indicative financing rate of 4.36%, calculated at $9.041M. The Directors at that time considered a 100% probability of payout likely.

The Directors have used significant judgement to determine that the probability of a payout is unlikely for the following reasons:

- AICIC had accumulated losses of $0.961M as at 30 June 2020;
- On 10 June 2020, BNNT Technology Limited advised that:
  - They were producing 10 grams per day of 99% pure BNNT on a single shift;
  - They could increase production with multiple production units and had ordered additional plant and equipment to achieve this;
  - While continuously improving batch production techniques, they had not yet achieved continuous production;
- The impact of COVID-19, both in Australia and internationally, with company closures, financial constraints and increased economic uncertainty will most probably have a negative impact on the sales of BNNT over the coming year; and
- AICIC is only entitled to its 50% joint venture interest in the profits of BNNT Technology Limited.

NOTE 29 SHARE CAPITAL

29.1 Issued capital

85,621M (2019: 82.488M) ordinary shares fully paid	59,500	47,743
Movements in ordinary share capital		
Balance at the beginning of the financial year	47,743	34,541
New shares issued, net of transaction costs	8,049	6,028
Shares issued on acquisition, net of costs	2,241	6,633
Shares issued from dividend reinvestment plan	941	541
Shares issued for Employee Share Scheme	137	-
Shares issued for Long Term Incentive Plan	389	-
	59,500	47,743

NOTE 29 SHARE CAPITAL (continued)

	Notes	Consolidated Entity 2020 $000	2019 $000
29.2 New shares issued			
Issued for cash to fund the acquisition of CIB, JVRA application projects and working capital @ $4.25 per share		8,500	-
Less transaction costs for issued share capital		(451)	-
		8,049	-
Issued for cash to fund the acquisition of AICIC @ $0.35 per share		-	3,535
Less transaction costs for issued share capital		-	(161)
		-	3,374
Issued for cash to pay off its fixed interest loans and working capital @ $2.50 per share		-	2,750
Less transaction costs for issued share capital		-	(96)
		-	2,654
New shares issued for cash, net of transaction costs		8,049	6,028
Issued on acquisition of 45% interest in CIB @ $4.50 per share	19.2	2,250	-
Less transaction costs for issued share capital		(9)	-
		2,241	-
Issued on acquisition of AICIC		-	6,650
Less transaction costs for issued share capital		-	(17)
		-	6,633
Issued from dividend reinvestment plan	10(d)	949	548
Less transaction costs for issued share capital		(8)	(7)
		941	541
Issued for Employee Share Scheme @ $5.7803		138	-
Less transaction costs for issued share capital		(1)	-
		137	-
Issue to Long Term Incentive Plan Trust Account		396	-
Less transaction costs for issued share capital		(7)	-
		389	-

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.

Reconciliation of transaction costs on issue of share

	2020	2019
For the acquisition of CIB, JVRA application projects and working capital	(451)	-
For acquisition of 45% interest in CIB	(9)	-
For the Employee Share Scheme	(1)	-
For the Long Term Incentive Plan Trust Account	(7)	-
For the dividend reinvestment plan	(8)	(7)
For the acquisition of AICIC	-	(161)
For the raising of cash	-	(96)
For the issuance of shares on acquisition of AICIC	-	(17)
Transaction costs attributable to PPK	(476)	(281)
For the raising of cash in Li-S Energy Limited	(221)	-
	(697)	(281)

29.3 Share movements

Movements in number of ordinary shares

	2020	2019
Balance at the beginning of the financial year	82,488,074	61,996,498
New shares issued	3,132,669	20,491,576
	85,620,743	82,488,074

29.4 Treasury share movements

	2020 No. of Shares	2020 $000	2019 No. of Shares	2019 $000
Opening balance of treasury shares	695,122	(220)	1,398,371	(389)
Shares purchased	-	-	66,629	(21)
Shares purchased in the Dividend Reinvestment Plan	1,649	(7)	10,651	(9)
Shares transferred to employees	-	-	(591,590)	139
Shares sold	-	-	(188,939)	60
Closing balance of treasury shares	696,771	(227)	695,122	(220)

NOTE 29 SHARE CAPITAL (continued)

29.5 Capital risk management

The Group considers its capital to comprise its ordinary shares, treasury shares, reserves and retained earnings.
In managing its capital, the Group's primary objective is to ensure its continued ability to provide a consistent return for its equity shareholders through capital growth and distributions and through the payment of annual 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.

For the 2020 financial year, the Group's policy is to maintain its gearing ratio within the range of 0% - 20% (2019: 20% - 50%). The Group's gearing ratio at the balance sheet date is shown below:

		Consolidated Entity	
		2020	**2019**
	Notes	**$000**	**$000**
Gearing ratios			
Total borrowings		152	2,256
Less cash and cash equivalents		(2,309)	(1,047)
Net debt		(2,157)	1,209
Total equity		54,193	30,264
Total capital		54,193	30,264
Gearing ratio		0%	4%

The gearing ratio is calculated excluding lease liabilities.

The Group changed its capital management objectives in the financial year with the intent to minimise debt, but have the ability to access debt should it be necessary, with a focus on funding the technology application projects and maintaining dividend payments. As a result, it changed it policies and processes in the year manage its cash flow accordingly. There is no change as to what the Group considers to be its capital.

NOTE 30 CAPITAL RESERVES

		Consolidated Entity	
		2020	**2019**
	Notes	**$000**	**$000**
Reserves		4,143	671
Share option reserve		869	321
Asset revaluation surplus		350	350
Share premium reserve		2,924	-
		4,143	671

Movement in reserves

30.1 Share options reserve

Share options			
Opening balance		321	-
Issue of performance rights		548	321
Closing balance		869	321

The share options reserve is used to recognise the value of equity settled share-based payments provided to employees, including key management personnel, as part of their remuneration.

The fair value of the options at issue date is deemed to represent the value of employee services received over the vesting period, recognised as a proportional share-based payment expense during each reporting period, with the corresponding credit taken to a share option reserve.

30.2 Asset revaluation surplus

Opening balance		350	-
Revaluation of land and buildings		-	350
Closing balance		350	350

The asset revaluation surplus is used to recognise the fair value movement of land and buildings upon revaluation.

30.3 Share premium reserve

Opening balance		-	-
Increase in PPK's interest in Li-S Energy's issued capital and reserves		2,924	-
Closing balance		2.924	-

The share premium reserve is used to recognise PPK's 58% interest in Li-S Energy's issued capital and equity reserve of $5.041M.

NOTE 31 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 2.13, Note 2.14, Note 2.19, Note 2.20 and Note 2.21 and their carrying amounts are set out below.

	Weighted Average Interest Rate	Notes	Floating Interest Rate $000	Within 1 Year $000	1 to 5 Years $000	Non-Interest Bearing $000	Total $000
Consolidated 2020							
Financial assets							
Receivables	0.0%	14	-	-	-	6,324	6,324
Cash and cash equivalents	0.0%	13	-	-	-	5,344	5,344
Total financial assets			-	-	-	11,668	11,668
Financial liabilities							
Interest-bearing loans and borrowings	4.5%	26	-	152	-	-	152
Trade and other payables - current	0.0%	24	-	-	-	4,485	4,485
Lease liabilities	5.2%	25	-	1,681	1,998	-	3,679
Total financial liabilities at amortised cost			-	1,833	1,998	4,485	8,316
Fair value through profit or loss							
Contingent consideration		28	-	-	-	-	-
Total fair value through profit or loss							
Consolidated 2019							
Financial assets							
Receivables	0.0%	14	-	-	-	8,655	8,655
Cash and cash equivalents	0.0%	13	459	-	-	588	1,047
Total financial assets			459	-	-	9,243	9,702
Financial liabilities							
Other loans	9.73%	26	-	2,256	-	-	2,256
Trade and other payables - current	0.0%	24	-	-	-	4,932	4,932
Total financial liabilities at amortised cost			-	2,256	-	4,932	7,188
Fair value through profit or loss							
Contingent consideration	4.36%	28	-	-	9,041	-	9,041
Total fair value through profit or loss			-	-	9,041	-	9,041

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 market risk, 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.

31.1 Market risk

Market risk is the risk that the fair value of future cash flows of the Group's and parent entity's financial instruments will fluctuate because of changes in market prices.

Market risk comprises three types of risk: equity price risk, interest rate risk and currency risk.

(i) Equity price risk

The Group has an unlisted equity investment which is susceptible to market price risk arising from uncertainties about future value of the investment security. The Group manages the equity price risk through updates with the equity investment's executives to keep abreast of its activities and plans. As the equity investment intends to complete an IPO in the near future, the Group will have access to a market price and public information to manage the market price risks.

At the reporting date, the exposure to the unlisted equity investment was $2.547M at fair value.

The Group has performed sensitivity analysis relating to its equity price risk based on the Group's year end exposure. This sensitivity analysis demonstrates the effect on after tax results and equity which could result from a movement of market value of +/- 10%.

	Notes	2020 $000	2019 $000
Change in profit before tax			
- increase in unlisted market value by 10%		255	-
- decrease in unlisted market value by 10%		(255)	-

NOTE 31 FINANCIAL INSTRUMENTS RISK (continued)

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a security will fluctuate due to changes in interest rates. Exposure to interest risk arises due to holding floating rate interest bearing liabilities, investments in cash and cash equivalents and loans to related parties and other persons. Although a change in the current market interest rate may impact the fair value of the Group's fixed interest financial liabilities and other receivables, it does not impact the Group's profit after tax or equity as these financial liabilities and other receivables are carried at amortised cost and not fair value through profit or loss. Floating interest rates attached to the Group's financial assets and liabilities give rise to cash flow interest rate risk.

Sensitivity disclosure analysis

The Group's exposure to its floating interest rate financial assets and liabilities follows:

		Consolidated Entity	
		2020	**2019**
	Notes	**$000**	**$000**
Financial assets			
Cash		-	459
Receivables		-	-
		-	459
Financial liabilities			
Interest bearing liabilities		-	-
		-	-
Net Exposure		-	459

The Group has performed sensitivity analysis relating to its interest rate risk based on the Group's year end exposure. This sensitivity demonstrates the effect on after tax results and equity which could result from a movement in interest rates of +/- 1%.

Change in profit before tax		
- increase in interest rate by 1%	-	4
- decrease in interest rate by 1%	-	(4)

(iii) Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial item will fluctuate as a result of movements in international exchange rates. The Group was not exposed to exchange rate transaction risk on foreign currency sales or foreign currency purchases during the year. Sales revenue for the Group for the year was all denominated in Australian dollars (2019: 100%). The Group does not take forward cover or hedge its risk exposure.

The Group is exposed to currency risk in relation to its equity investment which is in US dollars (see Note 31.1(i)). At the year end, the equity investment was converted from United States Dollars to Australian Dollars at the exchange rate of $0.6863 at 30 June 2020.

- increase in USD currency rate by $.01	(29)	-
- decrease in USD currency rate by $.01	30	-

31.2 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's exposure is minimised by the fact that the trade receivables balance is with a diverse range of Australian and multi-national customers. The Group has in place formal policies for establishing credit approval and limits so as 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 placed only with major Australian banks thus minimising the Group's exposure to this credit risk. Refer to note 14 for detail on the Group's trade and other receivables.

The geographic location of customers, relating to these trade receivables, is disclosed in Note 3.1 of these accounts.

Australia	6,324	8,655
	6,324	8,655

31.3 Liquidity risk

Liquidity risk is the risk that the Group and parent 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 and parent's 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 note 26.

NOTE 31 FINANCIAL INSTRUMENTS RISK (continued)

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 2020						
Financial liabilities (current & non-current)						
Trade and other payables	4,333	4,333	-	-	-	4,333
Interest-bearing loans and borrowings	152	152	-	-	-	152
Lease liabilities	3,679	688	993	1,998	-	3,871
Contingent consideration	-	-	-	-	-	-
Total financial liabilities	8,164	5,173	993	1,998	-	8,355
Consolidated 2019						
Financial liabilities (current & non-current)						
Trade and other payables	3,732	3,732	-	-	-	3,732
Non-bank loans	2,284	2,284	-	-	-	2,284
Contingent consideration	-	-		10,000		10,000
Total financial liabilities	6,016	6,016	-	10,000	-	16,016

NOTE 32 FAIR VALUE MEASUREMENT

Fair value

The carrying values of financial assets and liabilities listed below approximate their fair value.

Estimated discounted cash flows were used to measure fair value, except for fair values of financial assets that were traded in active markets that are based on quoted market prices.

Hierarchy

The following tables classify financial instruments recognised in the statement of financial position of the Group according to the hierarchy stipulated in AASB13 as follows:
- Level 1 – the instrument has quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – a valuation technique is used using inputs other than quoted prices within Level 1 that are observable for financial instruments, either directly (i.e. as prices), or indirectly (i.e. derived from prices); or
- Level 3 – a valuation technique is used using inputs that are not based on observable market data (unobservable inputs).

Assets	Notes	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
Group 2020					
Non-current assets					
Unlisted equity securities	20	-	-	2,547	2,547
		-	-	2,547	2,548
Liabilities					
Contingent consideration	28	-	-	-	-
Group 2019					
Liabilities					
Contingent consideration	28	-	-	9,041	9,041
		-	-	9,041	9,041

The Level 3 fair value assessment of unlisted equity securities has been based on advice provided by the investee company as to the most recent capital raise completed by it on or about 30 June 2020. This amount per share in United States Dollars has been converted to Australian Dollars at the prevailing exchange rate of .6863 at 30 June 2020.

NOTE 33 CONTINGENT ASSETS AND LIABILITIES

The Group has the following bank guarantees which are secured against cash of the same amounts:

- $0.359M (2019: $0.359M) for property leases; and
- $0.100M (2019: $0.100M) for completion of a property development.

Non-bank guarantees and indemnities include:

- a finance facility up to a maximum of $4.000M from a major Australian bank secured against the debtors of PPK Mining Equipment Pty Ltd, secured by a guarantee and indemnity from PPK Group Limited, PPK Mining Equipment Group Pty Ltd and the subsidiaries of the mining division. This facility has not been drawn down.
- the lease motor vehicle fleet provider has a guarantee and indemnity from PPK Group Limited in relation to the leased motor vehicle fleet.

The Group has the following contingent liabilities:

- $1.000M for a finance facility provided to BNNT Technology Limited to fund additional equipment, should it be required.
- $0.445M for its proportion of funding the 3D Dental Technology Limited project, should it be required.
- $0.594M being the rental arrears owing under a previous property lease. The Group signed a new five year lease to 31 July 2022 and, as a condition of this lease, the Lessor has agreed to waive its right to recover the rent arrears if the Group complies with all obligations and pays all amounts due and payable under the lease.
- to the previous AICIC owners that should the value of the 6.633M consideration shares, calculated based on the 5 day VWAP share price of PPK immediately prior to the release of the consideration shares from escrow, be less than $6.650M then PPK will be obligated to pay the previous AICIC owners the difference in cash as an adjustment to the purchase price.
- Li-S Energy has a contingent liability in that if it doesn't complete its initial public offering by 31 December 2021 then 50% of the share swap entered into with Zeta Energy LLC will be cancelled retroactive to 16 June 2020.

As a consideration of the acquisition of AICIC, the Group has a contingent consideration of $10.000M to the vendor if AICIC's EBIT for the two financial years commencing subsequent to the acquisition is greater than $10.000M. The vendor is entitled to a payment of 50% of the amount of the EBIT over the $10.000M to a maximum payment of $10.000M. At 30 June 2020 the exposure to this has been assessed as nil (see note 28).

The Group is defending a claim in the Supreme Court of NSW in relation to a dispute pertaining to the vesting conditions of a business acquired in 2014 with a vendor employee for the second tranche of $0.500 of share plus interest and costs. As advised in the 2016 Annual Report, the Group does not believe the vesting conditions were met and still maintains this position.

See Note 34 for additional contingent assets and liabilities.

NOTE 34 RELATED PARTIES

For details on transactions between related parties refer to Note 9, Note 18, Note 19 and Note 33.

34.1 Details of the nature and amount of each element of the remuneration of each key management personnel ('KMP") of PPK Group Limited are shown in the table below:

2020	**Short term benefits**			**Post employment**					
	Salary& fees ($)	**Cash bonus ($)**	**Non-Monetary ($)**	**Super-annuation ($)**	**Long Term Benefits ($)**	**Terminat-ion Payments ($)**	**[1]Share based payments ($)**	**Total ($)**	**Perform-ance Related (%)**
Directors									
Non – Executive									
G Webb	40,000	-	-	-	-	-	-	40,000	-
A McDonald	45,833	-	-	-	-	-	236,943	282,776	84
Executive									
R Levison	215,000	-	-	25,000	-	-	-	240,000	-
G Molloy[2]	240,000	-	-	-	-	-	-	240,000	
D McNamara	200,000	-	-	-	-	-	236,108	436,108	54
Total Directors	740,833	-	-	25,000	-	-	473,051	1,238,884	-
Other Key Management Personnel									
K Hostland[1]	325,000	157,625	-	25,000	-	-	188,886	696,511	50
Total Other	325,000	157,625	-	25,000	-	-	188,886	696,511	
Total Key Management Personnel									
	1,065,833	**157,625**	-	**50,000**	-	-	**661,937**	**1,935,395**	-

[1] 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 the rights.
Amounts reported above include both paid and unpaid entitlements.
[2] PPK had a liability to a director, G Molloy, at the end of the financial period for $0.040 for Director's fees which were paid in July 2020. There are no other amounts owing to Directors.

NOTE 34 RELATED PARTIES (continued)

Remuneration Details for the year ended 30 June 2019 for Directors' and Key Management Personnel

Details of the nature and amount of each element of the remuneration of each director and key management personnel ('KMP") of PPK Group Limited are shown in the table below:

2019	Short term benefits			Post employment					
	Salary& fees ($)	Cash bonus ($)	Non-Monetary ($)	Super-annuation ($)	Long Term Benefits ($)	Terminat-ion Payments ($)	[1]Share based payments ($)	Total ($)	Perform-ance Related (%)
Directors									
Non – Executive									
G Webb	40,000	-	-	-	-	-	-	40,000	-
A McDonald	40,000	-	-	-	-	-	-	40,000	-
Executive									
R Levison	170,000	-	-	-	-	-	-	170,000	-
G Molloy	39,600	-	-	-	-	-	-	39,600	
D McNamara	200,000	-	-	-	-	-	108,864	308,864	35
Total Directors	489,600	-	-	-	-	-	108,864	598,464	-
Other Key Management Personnel									
K Hostland[1]	325,000	115,529	-	25,000	-	-	87,091	552,620	37
Total Other	325,000	115,529	-	25,000	-	-	87,091	552,620	
Total Key Management Personnel									
	814,600	**115,529**	-	**25,000**	-	-	**195,955**	**1,151,084**	-

[1] 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 the rights.
Amounts reported above include both paid and unpaid entitlements.

Performance Income as a Proportion of Total Remuneration

In 2020, K Hostland received an STI award of $157,625 (2019: $115,529), after his assessment of annual performance, for achieving targets noted below as set by the Directors for the 2019 financial year representing 97% of his targets. No other bonuses were paid to Key Management Personnel during the year.

Targets	Results	STI Allocation	Outcome
Revised revenue of $25.891M	Achieved $26.689M	20%	100%
Revised management EBITDA of $2.294M	Achieved $3.143M	30%	100%
BNNT Acquisition, legal & refinancing	Achieved at Board's discretion	50%	94%

The table below shows a reconciliation of performance rights held by each KMP for the year ended 30 June 2020.

Name and Grant dates	Balance at the start of year	Granted during year	Vested		Exercised	Forfeited		Balance at the end of the year (unvested)	
D McNamara	Unvested		No.	%		No.	%	No.	Maximum $ value to vest[1]
Tranche 1	-	100,000	Yes	25	-	-		-	88,744
Tranche 2	-	100,000	-		-	-		-	50,133
Tranche 3	-	100,000	-		-	-		-	20,568
Tranche 4	-	100,000	-		-	-		-	
A McDonald									
Tranche 1	-	12,500	Yes	25	-	-		-	
Tranche 2	-	12,500			-	-		-	129,982
Tranche 3	-	12,500			-	-		-	62,832
Tranche 4	-	12,500			-	-		-	25,225
K Hostland									
Tranche 1	-	75,000	Yes	25	-	-		-	70,995
Tranche 2	-	75,000	-		-	-		-	40,106
Tranche 3	-	75,000	-		-	-		-	16,455
Tranche 4	-	75,000	-		-	-		-	

[1] The maximum value of the performance rights yet to vest has been determined as the amount of the grant date fair value of the performance rights that is yet to be expensed which was calculated using the number of performance rights that were going to be granted.

Fair Value of each performance right at the grant date is:

	Tranche 1	Tranche 2	Tranche 3	Tranche 4
D McNamara	$0.500	$0.500	$0.486	$0.430
A McDonald	$6.500	$6.500	$6.500	$6.500
K Hostland	$0.500	$0.500	$0.486	$0.430

NOTE 34 RELATED PARTIES (continued)

34.2 The Group has the following related party agreements in place:

A Shareholders Deed with Deakin University, BNNT Technology Limited and two other shareholders which sets out the respective rights and obligations of the shareholders as members of BNNT Technology Limited and the arrangements for the management, control and funding of BNNT Technology Limited. Key terms of the deed in relation to the shareholders and directors management and control are:

- PPK and Deakin University are entitled to appoint two directors each and each director is a nominee of the shareholder who nominated them. Subject to the Director's duties under applicable law and the Deed, the directors may act in the interests of the shareholder who appointed them;
- A quorum for a board meeting requires a majority of the directors;
- Each director has one vote;
- Ordinary decisions require more than 50% of the total votes of all directors;
- Special majority decisions require more than 50% of the total votes of all directors; and
- Management vests in the Board.

- A quorum for a shareholders meeting will be constituted by the attendance of majority of the shareholders and must include a representative from PPK and Deakin University
- Each shareholder has one vote;
- Ordinary decisions of the shareholders require more than 50% of the total votes of all shareholders; and
- Special majority decisions require more than 75% of the total votes of all shareholders.

34.3 BNNT Technology Limited, as the joint venture, has the following related party agreements in place:

34.3.1 A Joint Venture Agreement with Deakin University and BNNT Technology Limited for the research, development and commercialisation of new and existing technologies and products where BNNT can be used to create and/or improve these technologies and products whereby:

- BNNT Technology Limited provides BNNT and related technologies, products, technical skills and know how;
- Deakin University provides existing intellectual property, services of specialist personnel from the Institute of Frontier Materials and other equipment including the university's specialist facilities where required; and
- PPK provides all other services to commercialise the new technologies and services, including the procurement of other specialists with experience in the respective industries, and source or assist with funding and industry partners.

The agreement provides for an initial six BNNT application projects with a joint ownership of PPK having a 65% interest, Deakin University having a 25% interest and BNNT having a 10% interest of those entities incorporated for each project. However, the agreement provides for alternative ownership arrangements for BNNT application projects that are entered into outside of the initial six BNNT application projects.

34.3.2 A Technology Licence Agreement with Deakin University to BNNT Technology Limited for an exclusive global 20 year licence, commencing 1 June 2018, to commercialise the BNNT manufacturing technology patented by Deakin University.

A condition of the Technology License Agreement is BNNT Technology Limited has the following commitments to Deakin University:

- a commitment to generate $50.000M of gross revenues within the first three years after the Evaluation Completion Date; and
- a quarterly royalty payment of 5% of the gross revenue received by or payable to BNNT Technology Limited or any of its sub-licensees.

34.3.3 A three year lease with Deakin University to BNNT Technology Limited for the premises at Waurn Pond, Geelong to expire 31 May 2021 for $5,868 per month to 31 May 2020 with a 4% increase for June 2020 onwards.

A condition of the lease with Deakin University is that BNNT Technology Limited has the following commitments to Deakin University:

- an initial $0.500M payment for Deakin University to develop a research plan for BNNT Technology Limited; and
- a $2.000M per annum payment for research funding once BNNT Technology Limited revenue exceeds $5.000M per annum.

34.3.4 A Shareholders Agreement with Li-S Energy Limited in which BNNT Technology Limited must provide its technical skills and know how for the Li-S battery project.

34.3.5 A Supply Agreement in which BNNT Technology Limited has agreed to supply 100 grams of BNNT per annum at $1,000 per gram for a 2 year period to Li-S Energy Limited.

34.3.6 A Loan Agreement to a maximum amount of $0.500M for BNNT Technology Limited to fund the Li-S battery project, interest bearing at 4.5% and maturing in 36 months from the date the loan is advanced or such other date the parties agree in writing.

34.4 Related Party Balances

Li-S Energy Limited has short-term shareholder loans owing to PPK of $1.033M and to BNNT Technology Limited of $0.152M to fund the development costs incurred by Deakin University and the purchase of equipment for the Li-S battery project. The loans are interest bearing at 4.5% per annum, unsecured and were repaid on 20 July 2020. The loan to PPK has been eliminated on consolidation.

NOTE 35 INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

	Country of Incorporation	Notes	Percentage Owned	
Subsidiaries of PPK Group Limited:			**2020 %**	**2019 %**
Rutuba Pty Limited	Australia		100%	100%
Seven Hills Property Holdings Pty Ltd	Australia		100%	100%
PPK Properties Pty Ltd	Australia		100%	100%
Dandenong South Property Pty Ltd	Australia		100%	100%
PPK Willoughby Holdings Pty Ltd	Australia	34.1	100%	100%
PPK Willoughby Pty Ltd	Australia	34.2	100%	100%
PPK Aust. Pty Ltd	Australia		100%	100%
PPK Investment Holdings Pty Ltd	Australia		100%	100%
PPK Finance 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 Firefly Pty Ltd	Australia		100%	100%
PPK Electrics Pty Ltd	Australia		100%	100%
Exlec Holdings Pty Ltd	Australia		100%	100%
QES Air Pty Ltd	Australia		100%	100%
PPK Mining Equipment Group Pty Ltd	Australia		100%	100%
PPK Mining Equipment Pty Limited	Australia		100%	100%
PPK Mining Repairs Alternators Pty Ltd	Australia		100%	100%
PPK Mining Equipment Hire Pty Ltd	Australia		100%	100%
Coaltec Pty Ltd	Australia		100%	100%
PPK IP Pty Ltd	Australia		100%	100%
PPK China Pty Ltd	Australia	34.3	100%	100%
PPK (Beijing) Mining Equipment Co., Ltd	China	34.3	100%	100%
PPK Plans Pty Ltd	Australia	34.4	100%	100%
PPK (CC) Pty Ltd	Australia		100%	100%
BNNT Ballistics Pty Ltd	Australia		100%	100%
AIC Investment Corporation Pty Ltd	Australia		100%	100%
Li-S Energy Limited	Australia	34.6	58%	0%
Associates of PPK Group Limited				
Craig International Ballistics Pty Ltd	Australia	34.5	45%	0%
3D Dental Technology Limited	Australia	34.7	45%	0%
Ballistic Glass Pty Ltd	Australia	34.8	40%	0%
Joint venture with PPK Group Limited				
BNNT Technology Limited	Australia		50%	50%

34.1 PPK Willoughby Holdings Pty Ltd acts as the trustee company of the PPK Willoughby Funding Unit Trust. The Group holds 22.86% of issued units of this trust which is considered an associate of the Group.
34.2 PPK Willoughby Pty Ltd acts as the trustee company of the PPK Willoughby Purchaser Unit Trust. PPK Willoughby Funding Unit Trust holds 80% of issued units of this trust.
34.3 PPK China Pty Ltd and PPK (Beijing) Mining Equipment Co, Ltd have both been placed in voluntary liquidation to wind-up the entities.
34.4 PPK Plans Pty Ltd is the trustee for the PPK Long Term Incentive Plan.
34.5 PPK acquired a 45% interest in Craig International Ballistics Pty Ltd on 28 October 2019
34.6 PPK incorporated Li-S Energy Limited on 12 July 2019 and had a 58% interest at the reporting date
34.7 PPK incorporated 3D Dental Technology Limited on 11 March 2020 and had a 45% interest at the reporting date
34.8 PPK incorporate Ballistic Glass Pty Ltd on 11 March 2020 and had a 40% interest at the reporting date

NOTE 36 EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

In August 2020, the Board declared a 1 cent final ordinary fully franked dividend for the 2020 financial year.

Li-S Energy Limited received $3.250M of cash prior to 30 June 2020 for the issuance of 5.000M shares at $0.65 per share and issued the shares subsequent to the reporting period.

PPK Mining Equipment operates in three facilities in NSW; Tomago, Port Kembla and Mt Thorley. Its customers and most suppliers operate in close proximity to the facilities and the operations continue to operate. However, if one or more of the facilities should be required to close it is unknown how long the closure would be, or if there were impacts on its customers and/or suppliers operations, the impact on the operations of PPK Mining Equipment is unknown.

BNNT Technology Limited's manufacturing plant and Li-S Energy Limited's laboratory are located at Deakin University's Waurn Ponds facility in Geelong, Victoria. To slow the spread of COVID-19 in Victoria, the Victorian government imposed Stage 4 restrictions for metropolitan Melbourne from 2 August 2020 and Stage 3 restrictions for regional Victoria from 5 August 2020, which includes Geelong. Stage 3 restrictions allow employees to work at the manufacturing plant so this facility continues to operate. At this date of these financial statements we believe the manufacturing plant will be able to continue to operate for the foreseeable future. However, if the manufacturing plant or the laboratory should be required to close, it is unknown how long this closure would be and the impact on the operations of both companies.

NOTE 36 EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD (continued)

Deakin University has had its own restrictions with access to campus by staff, students and visitors restricted to help maintain health and safety protocols, with staff and visitor access reviewed case-by-case. As a result, limits have been placed on the number of staff and contractors permitted in the workspace at one time. We are however continuing with the installation of new equipment during this time whilst adhering to these restrictions. It is unknown whether stricter restrictions will be imposed and what the impact of these would be on the operations of the companies.

Craig International Ballistics is located at the Gold Coast in Queensland. Its customers are located in various Australian states and internationally and some key supplier are also located overseas. While its supply chain has been interrupted due to COVID-19 and some customer orders have been delayed, the company continues to operate. However, if the manufacturing plant should be required to close it is unknown how long this closure would be, or if there were impacts on its customers and/or suppliers operations, the impact on the operations of Craig International Ballistics is unknown.

PPK issued 252,500 shares to the Long Term Incentive Plan Trust Account for the two directors, an executive and senior managers of the Group whose Tranche 2 Performance Rights vested on 1 July 2020.

No other matter or circumstance has arisen since the end of the financial year which is not otherwise dealt with in this report or in the Consolidated Financial Statements that has significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in subsequent financial years.

DIRECTORS' DECLARATION

FOR THE YEAR ENDED 30 JUNE 2020

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

a) The consolidated financial statements and notes of PPK 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 2020 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 Group Limited will be able to pay its debts as and when they become due and payable.

2. The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2020.

3. Note 2 confirms that the consolidation financial statements also comply with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors:

ROBIN LEVISON
Executive Chairman

GLENN MOLLOY
Executive Director

Dated this 26th day of August 2020

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Independent Auditor's Report to the Members of PPK Group Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of PPK Group Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of 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 2020 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

Revenue

Why significant	How our audit addressed the key audit matter
Revenue is a key item in the Statement of Profit or Loss and Other Comprehensive Income. The Group earns revenue from different business streams, with each stream having differing revenue recognition points under the Group's revenue recognition policies (Note 2.9) and Australian Accounting Standards. Amounts recorded as revenue but unbilled at 30 June are recorded as contract assets. These amounts are disclosed in Note 15.	Our audit procedures included the following: • Documenting the design of the key revenue systems and processes. • Evaluating the revenue recognition policies for compliance with *AASB 15 Revenue from Contracts with Customers* and assessing revenue recognised against these accounting policies and accounting standards. • Testing a sample of revenue transactions to assess appropriate revenue recognition under the Group's accounting policies and accounting standards. • Performing analytical review over recognised revenue. • Testing the cut off controls applied to revenue recognised at 30 June 2020 as contract assets. • Assessing the adequacy of the related disclosures within the financial statements.

Impairment Testing of Intangible Assets and Property Plant and Equipment

Why significant	How our audit addressed the key audit matter
Impairment testing of intangible assets and property plant and equipment was a key audit matter due to the value of the recorded assets (30 June 2020: $3,038,000 (intangible assets) $5,240,000 (property, plant and equipment) and right of use assets ($3,628,000)) and the degree of estimation required to be made by the Group in assessing assets not yet in service which comprised $2,976,000 of the intangible asset balance at 30 June 2020 as disclosed in note 23. The Group performs an annual impairment assessment for indicators of impairment. Where indicators of impairment are present for an individual development asset the recoverable amount of the asset is assessed and compared to its carrying value. An assessment is also made of indicators of impairment for each individual Cash Generating Unit (CGU). Significant assumptions used in the impairment testing referred to above are inherently	Our audit procedures included the following: • Evaluating the Group's assessment of its CGUs for consistency with the requirements of Australian Accounting Standards. • Evaluating the completeness of the Group's assessment of impairment indicators for intangible assets in development and each CGU. • Assessing management's commercial basis for the development and commercialisation of products in process development. • Assessing the key assumptions within the impairment assessment of each asset and CGU including the commercial prospects, growth rate and discount rate. • Applying our knowledge of the business and corroborating our work with external information where possible. • Assessing the adequacy of the disclosures included in Note 23 to the financial report.

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Why significant	How our audit addressed the key audit matter
subjective and in times of economic uncertainty the degree of subjectivity is higher than it might otherwise be. Based on the size of the assets and the judgement involved in determining the recoverable amount, we have considered this a key audit matter.	

Contingent Consideration - AIC Investment Corporation Pty Ltd

Why significant	How our audit addressed the key audit matter
The Group acquired 100% of the issued capital of AIC Investment Corporation Pty Ltd (AICIC) and gained control of the entity during the financial year ended 30 June 2019. As disclosed in Note 28, a component of the consideration for the acquisition of AICIC was contingent on future events. An amount of $9,041,000 was provided for this liability at 30 June 2019. During the year ended 30 June 2020, an assessment was made by the Group and it was determined it is no longer expected to be paid. The value of this liability was assessed as $Nil and taken to the profit and loss as "Other Operating Income". This is disclosed in Note 3.2.	Our procedures included the following: • Assessing the forward income projections for AICIC used in the contingent consideration calculation as outlined in the acquisition agreement for this entity. • Evaluating management's conclusion, the contingent consideration liability should be revalued to $Nil. • Assessing the recognition of the reversal of the contingent consideration amounts in profit and loss. • Assessing the adequacy of the related disclosures within the financial statements.

Recoverable Value of Inventory

Why significant	How our audit addressed the key audit matter
The Group is required to carry its inventory at the lower of cost or net realizable value in accordance with AASB 102 *Inventories*. The Group's accounting policy is disclosed in Note 2.16. At 30 June 2020 $10,594,000 of inventory was on hand as disclosed in Note 16. The following factors add complexity or increase the likelihood of errors in the determination of the value of inventory: • large inventory holdings and slower inventory turnover indicate that there may be obsolete stock on hand; and	Our procedures included the following: • Assessing the Group's inventory valuation methodology with the requirements of Australian Accounting Standards. • Recalculating for a sample of inventory items the cost and net realisable value of inventories items. • Testing the mathematical accuracy of the inventory valuation model. • Comparing the data underlying the model to the accounting system or other sources. • Assessing whether the recorded cost, after factoring in valuation adjustments, was at the lower of cost and net realisable value.

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Why significant	How our audit addressed the key audit matter
• methods of estimating inventory provisions involve significant management judgment, including predictions about market conditions and future sales. This area is a key audit matter due to the materiality of inventory to the Statement of Financial Position, and the significant level of estimation involved in applying the "lower of cost and net realisable value" measurement methodology.	• Assessing the adequacy of the related disclosures within the financial statements.

Accounting for Non-controlled Investments

Why significant

The Group holds a number of significant non-controlled investments in its portfolio. The investments are recorded as non-current assets and are accounted for by the Group as follows:

Investee	Classification	Accounting Method	Note
BNNT Technology Limited	Joint Venture Entity	Equity method	19
Craig International Ballistics Pty Ltd*	Associate Entity	Equity method	19
Zeta Energy LLC*	Financial Asset at Fair Value Through Profit and Loss	Fair Value Through Profit and Loss	20

* Acquired during the year ended 30 June 2020.

The accounting policies applied in recognising and measuring the Group's investments are disclosed in Note 2 of the Group's financial report.

How our audit addressed the key audit matter

All Investments
Our procedures included the following:

- Reviewing investment and shareholder documents and correspondence in relation to each investment.
- Challenging the Group's assessment as to the method of accounting for each investment for compliance with Australian Accounting Standards.
- Confirming the Group's interest in each investee entity.
- Testing management's impairment assessment of the investment by considering forecasts of forward earnings, commercial activities and discount rates or recent arm's length capital raisings.
- Assessing the adequacy of the related disclosures within the financial statements.

BNNT Technology Limited ("BMNT") and *Craig International Ballistics Pty Ltd* ("CIB")

Our procedures included the following:

- Evaluating the Group's accounting for the initial investment in CIB for consistency with Australian Accounting Standards.
- Determined the scope of audit work required to be undertaken on the results and position of BNNT and CIB for the purposes of the audit of the Group.

Why significant	How our audit addressed the key audit matter
This area is a key audit matter due to the materiality of the investments to the Statement of Financial Position, and the judgment involved in assessing whether control, joint control, significant influence or no influence exists. Subjectivity also exists in assessing the value of investments recorded at fair value. Ernst & Young is the appointed auditor of all investees listed above, except for Zeta Energy LLC.	• Assessing the accounting policies of BNNT and CIB for consistency with the Group's policies. • Evaluating the Group's share of net gains and the equity method investment movement for the year ended 30 June 2020. • Assessing the carrying amount of the Group's equity method investment at 30 June 2020. *Zeta Energy LLC* Our procedures included the following: • Recalculating the fair value of the Group's investment at 30 June 2020 using current share valuations, supported by recent capital raising transactions and converting the US dollar denominated investment value to Australian dollars at 30 June 2020.

Acquisition of Controlling Interest in Li-S Energy Limited

Why significant	How our audit addressed the key audit matter
On 16 July 2019, the Group acquired a controlling interest in Li-S Energy Limited. This controlling interest has been maintained to 30 June 2020. During the period the investment held by the Group was diluted, with no loss of control being incurred by the Group. The investment is disclosed in Note 18. This area is a key audit matter due to the significance of the investment to the Statement of Financial Position, and the judgment involved in assessing whether control, joint control, significant influence or no influence exists.	Our procedures included the following: • Reviewing investment and shareholder documents and correspondence in relation to the investment. • Evaluating the Group's business combination accounting for the acquisition of Li-S Energy Limited, including the assessment of the fair value of acquired assets, liabilities and contingent liabilities. • Confirming with Li-S Energy Limited the Group's interest held at 30 June 2020. • Recalculating the amounts recognised in equity reserves of $2,924,000 which arose on the dilution of the Group's interest in Li-S Energy without a loss of control. • Determining the scope of audit work required to be undertaken on the results and position of Li-S Energy Limited for the purposes of the audit of the Group. • Assessing the accounting policies of Li-S Energy Limited for consistency with the Group's policies.

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Why significant	How our audit addressed the key audit matter
	• Evaluating the consolidation and elimination of intercompany amounts during the period ended and as at 30 June 2020. This included the calculation of the non-controlling interest. • Assessing the adequacy of the related disclosures within the financial statements.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's 2020 Annual Report but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

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.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of PPK Group Limited for the year ended 30 June 2020, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst & Young

Ernst & Young

Brad Tozer

Brad Tozer
Partner
Brisbane
26 August 2020

SHAREHOLDER INFORMATION

AS AT 18 August 2020

(a) Number of PPK shareholders: 2,803

(b) Total shares issued: 85,873,243

(c) Percentage of total holdings by or on behalf of the 20 largest shareholders: 68.57%

(d) Distribution schedule of holdings

Holdings Ranges	**Holders**	**Total Units**	**Total % Held**
1-1,000	1,075	482,335	0.56
1,001-5,000	998	2,555,422	2.98
5,001-10,000	315	2,439,267	2.84
10,001-100,000	343	9,654,266	11.24
100,001 and over	72	70,741,953	82.38
Less than a marketable parcel	181	14,110	

(e) Voting rights: Every member present personally or by proxy or attorney etc, shall, on a show of hands, have one vote and on a poll shall have one vote for every share held.

(f) TOP 20 HOLDERS OF ORDINARY FULLY PAID SHARES

Rank	Name	Shares	%
1	Wavet Fund No 2 Pty Ltd	13,975,491	16.27
2	Equipment Company of Australia Pty Limited	9,749,399	11.35
3	Australian Innovation Centre Pty Ltd	8,624,482	10.04
4	McNamara Super Group Pty Ltd <McNamara Super Fund A/C>	4,264,779	4.97
5	Contemplator Pty Ltd <Arg Pension Fund A/C>	3,347,957	3.90
6	SMN Holdings Pty Ltd	3,230,000	3.76
7	Ignition Capital Pty Ltd <The Ignition A/C>	2,879,267	3.35
8	NN Capital Pty Ltd	1,980,000	2.31
9	BNP Paribas Nominees Pty Ltd <Ib Au Noms Retailclient Drp>	1,571,821	1.83
10	Ignition Capital No 2 Pty Ltd <Ignition Super Fund A/C>	1,523,712	1.77
11	John E Gill Operations Pty Ltd	1,086,105	1.26
12	Minoan Corporation Limited	1,075,439	1.25
13	Mr Leslie John Field + Mrs Eve Field	1,007,584	1.17
14	Sash Investment Group Pty Ltd <Samantha Molloy Family A/C>	1,000,000	1.16
15	PPK Plans Pty Ltd	696,771	0.81
16	National Nominees Limited	610,000	0.71
17	Mr Francesco Mario Napoli	595,625	0.69
18	Mr David Anthony O'Brien	593,399	0.69
19	Ruminator Pty Ltd	566,944	0.66
20	RCFT Pty Ltd <Craig Property No 3 A/C>	502,570	0.59
TOTAL	**Top 20 holders of Ordinary Fully Paid**	**58,881,345**	**68.57**

(g) SUBSTANTIAL HOLDERS

	Shares to Which Entitled	**% of Issued Capital**
Wavet Holdings Pty Ltd	14,026,481	16.34
Equipment Company of Australia Pty Ltd	9,749,399	11.35
Australian Innovation Centre Pty Ltd	8,624,482	10.04
McNamara Super Group Pty Ltd and Associates	4,530,451	5.28
Ignition Capital Pty Ltd and Associates	4,433,572	5.17

(h) During the year ended 30 June 2020 – nil shares were purchased on-market for the purposes of an employee incentive scheme.

(i) The Company's Corporate Governance Statement can be found at:
http://www.ppkgroup.com.au/irm/content/corporate-governance.aspx?RID=305

CORPORATE DIRECTORY

PPK Group Limited ABN 65 003 964181

A public company incorporated in New South Wales and listed on the Australian Securities Exchange (ASX Code: PPK)

Directors

Robin Levison	(Executive Chairman)
Glenn Robert Molloy	(Executive Director)
Graeme Douglas Webb	(Non-Executive Director)
Dale William McNamara	(Executive Director)
Anthony John McDonald	(Non-Executive Director)

Company Secretary

Andrew John Cooke

Registered Office and Principal Place of Business

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Web Site:	www.ppkgroup.com.au

Share Register

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Solicitors

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Bankers

Commonwealth Bank of Australia Limited
National Australia Bank Limited

Auditors

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