|  |
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| Electronic Lodgement Document No. **7ECI16911**  Lodgement date/time: 06-09-2023 11:47:26  Reference Id: 186112471 |

**Australian Securities &**

**Investments Commission**

**Form 388**

Corporations Act 2001

**294, 295, 298-300, 307, 308, 319, 321, 322**

Corporations Regulations

**1.0.08**

**Copy of financial statements and reports**

**Company details**

Company name

**VITRINITE PTY LTD**

ACN

## **167 744 578**

**Reason for lodgement of statement and reports**

A large proprietary company that is not a disclosing entity

**Dates on which financial**

Financial year end date

**year ends**

**30-06-2023**

**Details of large proprietary company**

What is the consolidated revenue of the large proprietary company and the entities that it controls?

**201342935**

What is the value of the consolidated gross assets of the large proprietary company and the entities that it controls?

**218233908**

How many employees are employed by the large proprietary company and the entities that it controls?

**91**

How many members does the large proprietary company have? **9**

# Auditor's report

Were the financial statements audited?

**Yes**

Is the opinion/conclusion in the report modified? (The opinion/conclusion in the report is qualified, adverse or disclaimed)

**No**

ASIC Form 388 Ref 186112471 Page 1 of 2

Form 388 - Copy of financial statements and reports

VITRINITE PTY LTD ACN 167 744 578

Does the report contain an Emphasis of Matter and/or Other Matter paragraph?

**No**

**Details of current auditor or auditors**

**Current auditor**

Date of appointment **23-03-2022**

Name of auditor

**ERNST & YOUNG**

Address

**111 EAGLE STREET**

**BRISBANE QLD 4000**

**Certification**

I certify that the attached documents are a true copy of the original reports required to be lodged under section 319 of the Corporations Act 2001.

**Yes**

**Signature**

Select the capacity in which you are lodging the form

Secretary

I certify that the information in this form is true and complete and that I am lodging these reports as, or on behalf of, the company.

**Yes**

**Authentication**

This form has been submitted by

Name Krystal Lee WEDGE

Date 06-09-2023

**For more help or information**

Web www.asic.gov.au

Ask a question? www.asic.gov.au/question

Telephone 1300 300 630

ASIC Form 388 Ref 186112471 Page 2 of 2

**Vitrinite Pty Ltd**

ABN 46 167 744 578

**Annual report for the year ended 30 June 2023**

**Vitrinite Pty Ltd Annual report - 30 June 2023**

ABN 46 167 744 578

**Contents**

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[Auditor's independence declaration 2](#_Toc202430)

[Financial report 28](#_Toc202431)

[Directors' declaration 65](#_Toc202432)

The directors present their report on the consolidated entity consisting of Vitrinite Pty Ltd (the "Company" or "parent entity") and the entities it controlled at the end of, or during, the year ended 30 June 2023. Throughout the report, the consolidated entity is referred to as the Group.

**Directors**

The following persons were directors of Vitrinite Pty Ltd during the whole of the financial year and up to the date of this report, unless otherwise stated:

Nicholas Williams

Matthew Burgess

Paul Ryan Welker

Lazaros Nikeas Michael Callan

**Principal activities**

During the year the principal continuing activities of the Group consisted of coal exploration and mine development, and undertaking coal mining operations upon the completion of a coal mine development works.

There were no significant changes in the nature of the activity of the Group during the year.

**Dividends**

Dividends paid to members during the financial year were as follows:

**2023** 2022

**$** $

Final dividends **9,999,505** -

**Review of operations**

The profit from ordinary activities after income tax amounted to $35,851,834 (2022: $36,769,767).

**Significant changes in the state of affairs**

In June 2023, the Board approved financing arrangement with the Scottish Pacific Business Finance Pty Ltd in relation to the $47,500,000 finance facility to be available to the Group for a minimum term of 24 months, in order to secure sufficient level of operating cash flows and meet capital expenditure needs. The financing arrangement was formally signed subsequent the year end in July 2023.

The Group agreed to enter into shareholder loan agreements with Vitrinite Holdings LLC, Vitrinite Holdings Pty, Vulcan Partners Pty Ltd and other minority shareholders. As at 30 June 2023 an amount of $26,473,825 had been advanced in shareholder loans. According to the terms of the agreements, the Group agreed to grant loans at the interest rate of 8% per annum and expiry date on 30 December 2023. The interest income accrued on shareholder loans as at 30 June 2023 was $511,289.

There have been no other significant changes in the state of affairs of the Group during the year.

**Events since the end of the financial year**

No matter or circumstance has arisen since 30 June 2023 that has significantly affected the Group's operations, results or state of affairs, or may do so in future years, other than formal signing in July 2023 of the financing arrangement with the Scottish Pacific Business Finance Pty Ltd in relation to the $47,500,000 finance facility.

**Likely developments and expected results of operations**

The directors expect that the Group will continue to carry out its principal activities as detailed above. There are no other known or likely developments which the directors foresee which the directors wish to disclose at this time. (continued)

**Environmental regulation**

The Group is subject to various environmental regulations under both Commonwealth and State legislation.

The directors believes that the Group has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the Group.

**Meetings of directors**

The number of meetings of the Group's board of directors held during the year ended 30 June 2023, and the numbers of meetings attended by each director were:

|  |  |  |
| --- | --- | --- |
|  | **Full meetings of directors** | |
|  | **Number of Board meetings held** | **Number of Board meetings attended** |
| Nicholas Williams | 9 | 9 |
| Matthew Burgess | 9 | 9 |
| Paul Ryan Welker | 9 | 9 |
| Lazaros Nikeas | 9 | 8 |
| Michael Callan | 9 | 9 |

**Shares under option**

No option to acquire shares in the Group has been granted to any person. No shares have been issued during the financial year or since the end thereof by virtue of the exercise of any options. There are no unissued shares under option at the date of this report.

**Insurance of officers and indemnities**

1. *Insurance of officers*

During the financial year, Vitrinite Pty Ltd paid a premium to insure the directors and officers of the Company and its Australian-based controlled entities of the Company, and all executive officers of the Company and of any related body corporate against a liability incurred as such a director, secretary or executive officer to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

1. *Indemnity of auditors*

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young (“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 30 June 2023.

**Proceedings on behalf of the Group**

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Group, or to intervene in any proceedings to which the Group is a party, for the purpose of taking responsibility on behalf of the Group for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Group with leave of the Court under section 237 of the *Corporations Act 2001.*

# Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 4.

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(continued)

**Rounding of amounts**

The Group is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with the instrument to the nearest dollar.

This report is made in accordance with a resolution of the directors.

Nicholas

Williams

Director

Matthew

Burgess

Director



Brisbane

28 August 2023

Ernst & Young Tel: +61 7 3011 3333

111 Eagle Street Fax: +61 7 3011 3100

Brisbane QLD 4000 Australia ey.com/au

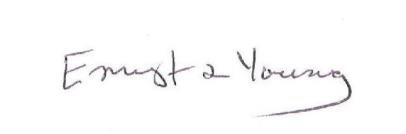
GPO Box 7878 Brisbane QLD 4001

Auditor’s independence declaration to the directors of Vitrinite Pty Ltd

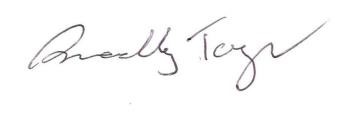
As lead auditor for the audit of the financial report of Vitrinite Pty Ltd for the financial year ended 30 June 2023, I declare to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.
3. No non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Vitrinite Pty Ltd and the entities it controlled during the financial year.



Ernst & Young



Brad Tozer

Partner

28 August 2023

A member firm of Ernst & Young Global Limited

Liability limited by a scheme approved under Professional Standards Legislation

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**Vitrinite Pty Ltd Financial report - 30 June 2023**

ABN 46 167 744 578

|  |  |
| --- | --- |
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| Consolidated statement of changes in equity | 9 |
| Consolidated statement of cash flows | 10 |
| Notes to the consolidated financial statements | 11 |
| Directors' declaration | 53 |

These financial statements are the consolidated financial statements of the consolidated entity consisting of Vitrinite Pty Ltd and its subsidiaries. A list of subsidiaries is included in note 31.

The financial statements are presented in Australian dollars ($).

Vitrinite Pty Ltd is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 6, Suite 2/12 Creek St, Brisbane City, Queensland, 4000.

A description of the nature of the consolidated entity's operations and its principal activities is included in the directors' report on page 1, which is not part of these financial statements.

The financial statements were authorised for issue by the directors on 28 August 2023. The directors have the power to amend and reissue the financial statements.

**Consolidated statement of profit or loss and other comprehensive income**

**For the year ended 30 June 2023**

|  |  |  |  |
| --- | --- | --- | --- |
| Notes | | **2023 $** | 2022 $ |
| **Revenue from contracts with customers** | 5 | **201,342,935** | 138,889,476 |
| Other income | 6 | **262,967** | 716,964 |
| Other (losses)/gains - net space | 7(a) | **(564,586)** | 328,536 |
| Employee benefits expense |  | **(18,210,880)** | (7,858,402) |
| Depreciation and amortisation expense |  | **(29,282,833)** | (12,918,446) |
| Changes in coal inventories |  | **7,069,317** | 17,469,564 |
| Changes in overburden in advance |  | **6,121,844** | 4,260,300 |
| Mine operating costs |  | **(82,755,788)** | (46,056,292) |
| Royalty expense |  | **(18,994,608)** | (14,837,983) |
| Marketing expenses |  | **(1,594,390)** | (1,358,953) |
| Management fee |  | **(4,026,790)** | (2,779,509) |
| Warranty payment | 7(b) | **-** | (15,000,000) |
| Administration expenses |  | **(5,999,027)** | (3,263,643) |
| Finance costs | 7(c) | **(2,097,806)** | (1,643,953) |

|  |  |
| --- | --- |
| **51,270,355** | 55,947,659 |
| **(15,418,521)** | (19,177,892) |
| **35,851,834** | 36,769,767 |
| **-** | - |
| **35,851,834** | 36,769,767 |
| **31,642,046** | 31,792,163 |
| **4,209,788** | 4,977,604 |
| **35,851,834** | 36,769,767 |
| **31,642,046** | 31,792,163 |
| **4,209,788** | 4,977,604 |
| **35,851,834** | 36,769,767 |

**Profit before income tax**

Income tax expense 8

**Profit for the year**

Blank

**Other comprehensive income/(loss) for the year, net of tax**

**Total comprehensive income for the year**

Profit is attributable to: Owners of Vitrinite Pty Ltd Non-controlling interests

space

Total comprehensive income for the year is attributable to:

Owners of Vitrinite Pty Ltd

Non-controlling interests

|  |  |  |  |
| --- | --- | --- | --- |
| **Earnings per share for profit attributable to the ordinary equity holders of the Group:** |  | **$** | $ |
| Basic earnings per share | 34 | **156.652** | 157.395 |
| Diluted earnings per share | 34 | **156.652** | 157.395 |

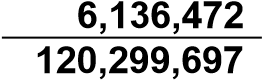
*The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.*

**Consolidated balance sheet**

**As at 30 June 2023**

|  |  |  |  |
| --- | --- | --- | --- |
| **ASSETS**  **Current assets** | Notes | **2023 $** | 2022 $ |
| Cash and cash equivalents | 9 | **7,759,992** | 18,963,131 |
| Receivables | 10 | **52,076,581** | 23,421,475 |
| Inventories | 11 | **37,885,947** | 24,694,787 |
| Other current assets | 12 | **211,691** | 346,260 |
| **Total current assets**  **Non-current assets** |  | **97,934,211** | 67,425,653 |
| Investments | 13 | **-** | 1,669,446 |
| Exploration, evaluation and mine properties | 14 | **41,294,374** | 41,395,551 |
| Property, plant and equipment | 15 | **36,873,502** | 26,181,244 |
| Intangible assets | 16 | **23,183** | 43,325 |
| Right-of-use assets | 19 | **35,972,166** | 43,818,630 |

|  |  |
| --- | --- |
|  | 118,454,538 |
| **218,233,908** | 185,880,191 |
| **45,525,065** | 38,423,837 |
| **226,329** | 2,953,198 |
| **9,194,990** | 7,615,939 |
| **115,805** | 87,406 |
| **18,592,495** | 16,320,781 |
| **1,808,598** | - |
| **75,463,282** | 65,401,161 |
| **2,500,540** | 600 |
| **13,106,241** | 23,993,199 |
| **2,576,969** | 2,055,038 |
| **31,640** | - |
| **17,643,265** | 11,561,953 |
| **35,858,655** | 37,610,790 |

Other non-current assets 185,346,342

**Total non-current assets**

**Total assets**

**LIABILITIES**

**Current liabilities**

Trade and other payables 20

Borrowings 21

Current tax liabilities

Employee benefit obligations 23

Lease liabilities 19

Dividends payable 26

**Total current liabilities**

**Non-current liabilities**

Borrowings 21

Lease liabilities 19

Provisions 22

Employee benefit obligations 23

Deferred tax liabilities 24

**Total non-current liabilities**

|  |  |  |
| --- | --- | --- |
| **Total liabilities** | **111,321,937** | 103,011,951 |
| **Net assets** | **106,911,971** | 82,868,240 |

**space**

**space**

*balance sheet should be read in conjunction with the accompanying notes.*

**Consolidated balance sheet**

**As at 30 June 2023**

(continued)

|  |  |  |  |
| --- | --- | --- | --- |
| **EQUITY** | Notes | **2023 $** | 2022 $ |
| Share capital | 25 | **50,000,002** | 50,000,002 |
| Other reserves |  | **965,899** | 965,899 |
| Accumulated losses reserve |  | **(4,925,055)** | (4,925,055) |
| Retained earnings |  | **53,745,051** | 32,102,510 |
| Capital and reserves attributable to owners of Vitrinite Pty Ltd |  | **99,785,897** | 78,143,356 |
| Non-controlling interests | 31(a) | **7,126,074** | 4,724,884 |
| **Total equity** |  | **106,911,971** | 82,868,240 |

*balance sheet should be read in conjunction with the accompanying notes.*

**Consolidated statement of changes in equity**

**For the year ended 30 June 2023**

**Attributable to owners of**

**Vitrinite Pty Ltd**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **Share capital $** | **Other reserves $** | **Accumulated losses $** | **Current year profit reserve $** | **Total $** | **Noncontrolling Total interests equity**  **$ $** |
| **Balance at 1 July 2021** | 50,000,002 | 965,899 | (4,925,055) | 310,347 | 46,351,193 | (252,720) 46,098,473 |
| Profit for the year | - | - | - | 31,792,163 | 31,792,163 | 4,977,604 36,769,767 |

Other comprehensive income/(loss) - - - - -

-

-

**31,792,163**

**31,792,163**

**4,977,604**

**36,769,767**

**Total comprehensive income for - - -**

**the year**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Balance at 30 June 2022** | **50,000,002** | **965,899** | **(4,925,055)** | **32,102,510** | **78,143,356** | **4,724,884** | **82,868,240** |
| **Balance at 1 July 2022** | 50,000,002 | 965,899 | (4,925,055) | 32,102,510 | 78,143,356 | 4,724,884 | 82,868,240 |
| Profit for the year  Other comprehensive | - | - | - | 31,642,046 | 31,642,046 | 4,209,788 | 35,851,834 |
| income/(loss) | - | - | - | - | - | - | - |
| **Total comprehensive** |  |  |  |  |  |  |  |
| **income for the year**  **Transactions with owners in their capacity as owners:**  Dividends provided for or | **-** | **-** | **-** | **31,642,046** | **31,642,046** | **4,209,788** | **35,851,834** |

paid 26 - - (9,999,505)

-

(9,999,505)

(1,808,598)

(11,808,103)

**50,000,002**

**965,899**

**(4,925,055)**

**53,745,051**

**99,785,897**

**7,126,074**

**106,911,971**

**Balance at 30 June 2023**

*statement of changes in equity should be read in conjunction with the accompanying notes.*

**Consolidated statement of cash flows**

**For the year ended 30 June 2023**

|  |  |  |
| --- | --- | --- |
| Notes  **Cash flows from operating activities** | **2023 $** | 2022 $ |
| Receipts from customers (inclusive of GST) | **223,267,591** | 137,743,120 |
| Payments to suppliers and employees (inclusive of GST) | **(144,725,208)** | (65,651,064) |
| Warranty payment | **-** | (15,000,000) |
| Interest received | **38,962** | 11,405 |
| Interest paid | **(2,367,660)** | (1,396,087) |
| Income taxes paid | **(7,758,158)** | - |

|  |  |
| --- | --- |
| **68,455,527** | 55,707,374 |
| **(5,879,531)** | (484,816) |
| **(16,446,954)** | (19,322,337) |
| **(1,661,598)** | (3,236,535) |
| **-** | (60,427) |
| **-** | (525,181) |
| **(28,867,388)** | (2,611,285) |
| **-** | 1,583 |
| **120,975** | - |
| **(52,734,496)** | (26,238,998) |
| **(600)** | (1,400) |
| **(16,924,065)** | (11,324,216) |
| **(9,999,505)** | - |
| **(26,924,170)** | (11,325,616) |
| **(11,203,139)** | 18,142,760 |
| **18,963,131** | 820,371 |
| **7,759,992** | 18,963,131 |

**Net cash inflow from operating activities** 33

**Cash flows from investing activities**

Payment for exploration, evaluation assets

Payments for property, plant and equipment

Payments for bond and bank guarantees

Payments for intangible assets

Upfront payments for leased assets

Loans to related parties

Proceeds from sale of property, plant and equipment

Dividends received

**Net cash outflow from investing activities**

**Cash flows from financing activities**

Repayment of borrowings 33(c)

Principal element of lease payments 33(c)

Dividends paid to company's shareholders 26

**Net cash outflow from financing activities**

**Net (decrease) increase in cash and cash equivalents**

Cash and cash equivalents at the beginning of the financial year

Cash and cash equivalents at end of year 9

*statement of cash flows should be read in conjunction with the accompanying notes.*

**1 Summary of significant accounting policies**

This note provides a list of all significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of Vitrinite Pty Ltd and its subsidiaries.

**(a) Basis of preparation**

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. Vitrinite Pty Ltd is a for-profit entity for the purpose of preparing the financial statements.

1. *Compliance with IFRS*

The consolidated financial statements of the Group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

1. *Historical cost convention*

The financial statements have been prepared on a historical cost basis, except for particular financial assets measured at fair value through profit and loss (FVPL).

1. *Going concern*

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

The Group reported a profit after tax of $35,851,834 (2022: $36,769,767). As at 30 June 2023, the Group had net assets of $106,911,971 (2022: net assets of $82,868,240) and net current assets of $22,470,929 (2022: net current assets of $2,024,492). The Group had cash on hand of $7,759,992 (2022: $18,963,131). Trade and other payables due to related parties totalled $6,246,327 (2022: $6,941,314). Loans Liabilities due to the related party (director) totalled $2,726,869 at 30 June 2023 (2022: $2,953,198), out of which $2,500,540 represented non-current portion at 30 June 2023. Trade and other receivables due from related parties totalled $1,833,147 (2022: $132,029). Loans receivable from related parties totaled $32,531,723 (2022: $3,153,046), out of which $26,985,114 represent shareholder loans advanced (2022: $nil).

The directors, in their consideration of the appropriateness of the going concern basis for the preparation of the financial report have prepared cash flow projections for 12 months from the date of approval of these financial statements that support that the Group will have sufficient cash to continue as a going concern. These cash flow projections assume the Group will increase production and generate positive cash flows from its operations.

Future cash flows are dependent upon future coal prices, foreign exchange rates among other factors, including reliance on third party suppliers for mining and transport operations which are outsourced. Revenue and cash inflows from coal sales are forecast to be sufficient for the Group to meet its operating costs and capital commitments.

If positive cash flows cannot be realised from mining operations in the short term, an additional funding facility of $47,500,000 with the Scottish Pacific Business Finance Pty Ltd was approved in June 2023, but formally signed subsequent to year end in July 2023. This finance facility will be available to the Group for a minimum term of 24 months.

No adjustments have been made to the financial report relating to the recoverability and classification of asset carrying amounts or the amounts and classifications of liabilities that might be necessary should the Group not continue as a going concern.

*(iv) New and amended standards adopted by the Group*

The Group has applied the following standards and amendments for the first time in their annual reporting period commencing 1 July 2022:

• AASB 2020-3 *Amendments to Australian Accounting Standards - Annual Improvements 2018-2020 and Other*

*Amendments [AASB 1, AASB 3, AASB 9, AASB 116, AASB 137 & AASB 141]*

**(a) Basis of preparation (continued)**

1. *New and amended standards adopted by the Group (continued)*

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

1. *New standards and interpretations not yet adopted*

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 30 June 2023 reporting periods and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

1. *Comparatives*

Where necessary, comparative information has been reclassified and repositioned for consistency with current year disclosures.

1. *Critical accounting estimates*

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

**(b) Principles of consolidation and equity accounting**

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Vitrinite Pty Ltd ('Company' or 'parent entity') as at 30 June 2023 and the results of all subsidiaries for the year then ended. Vitrinite Pty Ltd and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

*(i) Subsidiaries*

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated balance sheet respectively.

1. **Segment reporting**

The Group operates in one operating segment in one geographical location, being the coal mining industry in Queensland, Australia.

1. **Foreign currency translation**
2. *Functional and presentation currency*

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars ($), which is Vitrinite Pty Ltd's functional and presentation currency. **(d) Foreign currency translation (continued)**

1. *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statement of profit or loss and other comprehensive income, within finance costs. All other foreign exchange gains and losses are presented in the consolidated statement of profit or loss and other comprehensive income on a net basis within other gains/(losses).

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as at fair value through other comprehensive income are recognised in other comprehensive income.

**(e) Revenue recognition**

Revenue comprises sales to third parties at invoiced amounts, with each sale considered a single performance obligation recognised at point in time.

Sales revenue is recognised on each individual sale, when the control of the goods is passed to the customer. The amount of revenue recognised is the consideration the Group is entitled to receive in exchange for the transferred goods to the customer.

Revenue from the sale of coal is recognised in the profit or loss when performance obligations have been met, which is deemed to be, when control of the coal has been transferred from the Group to the customer. Typically, the transfer of control and the recognition of the sale occurs when the coal is delivered by the Group to the Delivery Point in a product condition as specified in the sales agreement. On each sale, at the delivery point, parameters such as quality and mass are tested using the independent experts and weightometers. Once the measurement parameters are confirmed, they form the basis for calculation of the final price on the commercial invoice. All customer contracts specify a known price, including related to it adjustments, and tolerance range for quality parameters prior to the Group committing to the supply of coal to the customer.

**(e) Revenue recognition (continued)**

*Coking Coal Quarterly Index Linked Price Contracts recognition*

Coking coal sales contracts generally contain quarterly pricing provisions as is customary in the coking coal markets. Sales contracts with regular customers are linked to the relevant coking coal index with index adjustments based on the term agreements/ relationship, specific variations to the index benchmark, or other contractual reasons.

When the quarterly benchmark prices have not been settled, sales invoices are issued and paid based on the provisional prices from the prior quarter’s agreed index price. These provisional prices are then adjusted when the final quarterly benchmark prices are settled.

Where sales volumes have not been fulfilled within the scope of the contract for the previous quarters, the coal sales are at the prior quarter’s price. At the end of the annual contract period, full year carry over tonnes are discussed between the parties and the supply of tonnes can be cancelled or carried over to the next annual contract.

Due to volatility in the coking coal price indices, management reviews the index price at the end of the quarter. Coal sales are then adjusted, based on the final index price, which has been agreed with customers. If the price has not yet been signed off on all contracts, management will make judgements on risk associated with the customer and adjust the provisional price based on the contract. The risk weighted price would then be used rather than the quarterly index price which has not yet been agreed with the customer.

*Bi-product coal contract sales*

Bi-product coal sales are not customarily index linked and are settled based on contract prices as agreed and adjusted by the contract terms, where relevant. Generally, price and adjustments are finalised and final invoiced within a short period of time after the coal is hauled to the delivery point as agreed in the sales contract with the customer.

*Key judgements*

Where prices are not finalised at the end of the period due to the timing of contractual adjustments, management will make assessments on the adjustments and provide for the expected impact of the contract adjustments. Price adjustments are minimal in comparison to the total invoice and are generally not material in nature.

1. *Rental income*

Rental income relates to operating leases, where the lease income is recognised in the profit and loss statement over the lease term on a straight-line basis.

1. *Interest income*

Interest income is recognised using the effective interest method.

1. *Dividends*

Dividends are recognised as revenue when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits. However, the investment may need to be tested for impairment as a consequence, refer note 1(m).

1. **Government grants**

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

1. **Income tax**

The income tax expense or credit for the year is the tax payable on the current year's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting year. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting year and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

**(h) Leases**

The Group leases an office and various equipment and vehicles. Rental contracts are typically made for fixed periods of 3 to 5 years but may have extension options as described below.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

* fixed payments (including in-substance fixed payments), less any lease incentives receivable,
* variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date,
* amounts expected to be payable by the Group under residual value guarantees,
* the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
* payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

**(h) Leases (continued)**

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee’s incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

* where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third-party financing was received,
* makes adjustments specific to the lease, e.g. term, country, currency and security.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the Group entities use that rate as a starting point to determine the incremental borrowing rate.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

* the amount of the initial measurement of lease liability,
* any lease payments made at or before the commencement date less any lease incentives received, • any initial direct costs, and
* restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset’s useful life.

Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option.

*Extension and termination options*

Extension and termination options exist in some lease contracts across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group’s operations. These extension and termination options are considered in the term of the lease where the Group is reasonably certain to exercise that option.

1. **Impairment of non-financial assets**

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting year.

1. **Cash and cash equivalents**

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the consolidated balance sheet.

1. **Trade receivables**

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and are therefore all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

The Group applies the AASB 9 *Financial Instruments* simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. Management has determined that assessment of expected credit loss associated with trade receivables is immaterial.

1. **Inventories**

Overburden in advance and coal stocks are measured at the lower of cost and net realisable value. Costs are assigned on a weighted average basis and include direct materials, direct labour and an appropriate proportion of variable and fixed overheads on the basis of normal mining capacity. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Inventories of auxiliary materials, spare parts, small tools, and fuel expected to be used in production are taken straight to operating expense at cost after deducting rebates and discounts.

Inventories are classified as follows:

* overburden in advance material extracted through the pre-strip mining process and includes blasting activities;
* run of mine material (ROM) extracted through the mining process and awaiting crushing and screening process at the ROM pad; and
* processed coal - is where raw coal from the mine was cleared using different physical processes to get a product which can be sold in the market.

**(m) Investments and other financial assets**

*(i) Classification*

The Group classifies its financial assets in the following measurement categories:

**(m) Investments and other financial assets (continued)**

*(i) Classification (continued)*

* those to be measured subsequently at fair value (either through OCI or through profit or loss), and
* those to be measured at amortised cost.

The classification depends on the entity’s business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

*(ii) Measurement*

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

*Equity instruments*

The Group subsequently measures all equity investments at fair value. Where the Group’s management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group’s right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the consolidated statement of profit or loss and other comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value. Dividends from such investments continue to be recognised in profit or loss as other income when the Group’s right to receive payments is established.

**(n) Property, plant and equipment**

Non-mining property, plant and equipment is stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting year in which they are incurred.

Depreciation is calculated using the straight-line method to allocate the cost or revalued amounts of the assets, net of their residual values, over their estimated useful lives as follows:

|  |  |
| --- | --- |
| • Buildings and infrastructure | 10 - 30 years/units of production |
| • Plant and equipment | 3 - 30 years |
| • Vehicles | 4 - 10 years |
| • Furniture, fittings and equipment | 3 - 10 years |

1. **Property, plant and equipment (continued)**

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting year.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(i)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

1. **Exploration and evaluation, capitalised development costs and mining properties**

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves. As the asset is not available for use it is not depreciated or amortised.

*(i) Exploration and evaluation assets*

Exploration and evaluation expenditure incurred is capitalised on an area of interest basis. Such expenditures comprise net direct costs and an appropriate portion of related overhead expenditure. These costs are carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage, which permits reasonable assessment of the existence of economically recoverable resources and active or significant operations in relation to the area are continuing.

A regular review is undertaken on each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. Accumulated costs in relation to abandoned area are written off against profit and loss in the period in which the decision to abandon the area is made. Where an uncertainty exists for further exploration of the area, a provision is raised for the costs of exploration. When a technical feasibility and commercial viability is demonstrated, the accumulated costs for the relevant area of interest are transferred to the capitalised development costs.

*(ii) Capitalised development costs*

Capitalised development costs include costs transferred from exploration and evaluation when the Group can demonstrate:

* the technical feasibility of completing the asset so that it will be available for use or sale;
* its intention to complete and its ability to use or sell the asset;
* how the asset will generate future economic benefits;
* the availability of resources to complete the asset; and
* the ability to measure reliably the expenditure during development.

Following recognition, the asset is carried at cost less any accumulated impairment losses. Once the development phase is complete and production begins, the costs are transferred from capitalised development costs to mine properties where they are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

*(iii) Mine properties*

Mining property assets include costs transferred from capitalised development costs, following start of production, and the rehabilitation asset capitalised to offset rehabilitation provision, when disturbance occurs to the extent that it was incurred as a result of the development/construction of the mine. Any rehabilitation obligations that arise through the production of inventory are recognised as part of the related inventory item. Following transfer from capitalised development, all subsequent development costs are capitalised to the extent that commercial viability conditions continue to be satisfied.

The costs associated with mine properties are amortised based on unit of production method.

**(o) Exploration and evaluation, capitalised development costs and mining properties (continued)**

*Rehabilitation asset and provision*

The mining extraction and processing activities of the Group normally give rise to obligations for site closure or rehabilitation.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. When provisions for closure and rehabilitation are initially recognised, the corresponding cost is capitalised as an asset representing part of the cost of acquiring the future economic benefits of the operation. Any rehabilitation obligations that arise through the production of inventory are recognised as part of the related inventory item. The capitalised cost of closure and rehabilitation activities is recognised in property, plant and equipment and depreciated accordingly. The value of the provision is progressively increased over time as the effect of discounting unwinds, creating an expense which is recognised in finance costs. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology discounted to their present value.

Changes in the estimated timing of rehabilitation or changes to the estimated future costs are dealt with prospectively by recognising an adjustment to the rehabilitation liability and a corresponding adjustment to the asset to which it relates to, if the initial estimate was originally recognised as part of an asset. Any reduction in the rehabilitation liability and, therefore, any deduction from the asset to which it relates to, may not exceed the carrying amount of that asset. If it does, any excess over the carrying value is taken immediately to the consolidated statement of profit or loss and other comprehensive income.

In determining the costs of site restoration, there is an uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly, the costs have been determined on the basis that restoration will be completed within one year of abandoning the site.

**(p) Intangible assets**

*(i) Software*

Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets.

1. **Trade and other payables**

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

1. **Borrowings**

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 profit or loss over the year of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the year of the facility to which it relates.

Borrowings are removed from the consolidated balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

1. **Borrowings (continued)**

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting year.

1. **Borrowing costs**

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the year of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial year of time to get ready for their intended use or sale.

Other borrowing costs are expensed in the year in which they are incurred.

1. **Provisions**

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting year. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

1. **Employee benefits**
2. *Short-term obligations*

Liabilities for wages and salaries, including non-monetary benefits and accumulating annual and sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees’ services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The leave liabilities are presented as current employee benefit obligations in the consolidated balance sheet. The wages and salaries liabilities are presented as current other payables in the consolidated balance sheet.

1. *Other long-term employee benefit obligations*

Where the Group has liabilities that are not expected to be settled wholly within 12 months after the end of the reporting period in which the employees render the related service, such as long service leave, these obligations are measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

The obligations are presented as current liabilities in the consolidated balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

1. *Post-employment obligations*

The Group pays contributions to publicly or privately administered defined contribution superannuation plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

1. **Contributed equity**

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

1. **Dividends**

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting year but not distributed at the end of the reporting year.

1. **Earnings per share**

*(i) Basic earnings per share*

Basic earnings per share is calculated by dividing:

* the profit attributable to owners of the Group, excluding any costs of servicing equity other than ordinary shares
* by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares (note ).

*(ii) Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

* the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
* the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

1. **Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the consolidated balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

1. **Parent entity financial information**

The financial information for the parent entity, Vitrinite Pty Ltd, disclosed in note 35 has been prepared on the same basis as the consolidated financial statements, except as set out below.

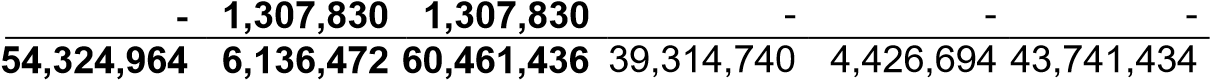
*(i) Investments in subsidiaries*

Investments in subsidiaries are accounted for at cost in the financial statements of Vitrinite Pty Ltd less any impairment charges. Upon receipt of dividend payments from subsidiaries, the parent will assess whether any indicators of impairment of the carrying value of the investment in the subsidiary exist. Where such indicators exist, to the extent that the carrying value of the investment exceeds its recoverable amount, an impairment loss is recognised.

**2 instruments**

The Group holds the following financial assets:

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **2023** | 2022 |
| **Financial assets**  **Financial assets at amortised cost** | **Current $** | **Non-**  **current Total** Current  **$ $** $ | Non-  current Total  $ $ |
| Cash and cash equivalents | **7,759,992** | **- 7,759,992** 18,963,131 | - 18,963,131 |
| Trade receivables | **14,573,533** | **- 14,573,533** 15,814,241 | - 15,814,241 |
| Receivables - related parties | **1,833,147** | **- 1,833,147** 132,029 | - 132,029 |
| Shareholder loans at amortised cost | **26,985,114** | **- 26,985,114** - | - - |
| Other receivables | **1,145** | **- 1,145** 5,482 | - 5,482 |
| Goods and services tax receivable | **3,137,033** | **- 3,137,033** 4,316,677 | - 4,316,677 |
| Rental bonds | **-** | **- -** 48,180 | - 48,180 |
| Term deposits | **35,000** | **- 35,000** 35,000 | - 35,000 |
| Environmental bonds | **-** | **2,524,987 2,524,987** - | 1,978,267 1,978,267 |
| Rental bonds | **-** | **114,920 114,920** - | 99,201 99,201 |
| Road usage bonds | **-** | **2,188,735 2,188,735** - | 2,349,226 2,349,226 |

Bank guarantee deposits 

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Financial assets at fair value through profit and loss**  Loan to related party - Ranger Equipment |  |  |  |  |  |  |
| Pty Limited | **5,546,609** | **-** | **5,546,609** | 3,153,046 | - | 3,153,046 |

**Shares in Ten Sixty Four Ltd** **-**

**-**

**-**

-

1,669,446

1,669,446

**5,546,609**

**5,546,609**

3,153,046

1,669,446

4,822,492

**-**

## **59,871,573 6,136,472 66,008,045** 42,467,786 6,096,140 48,563,926

The Group’s exposure to various risks associated with the financial instruments is discussed in note 3. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

**(a) Recognised fair value measurements - Financial assets and liabilities**

*(i) Fair value hierarchy*

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

**2 instruments (continued)**

**(a) Recognised fair value measurements - Financial assets and liabilities (continued)**

*(i) Fair value hierarchy (continued)*

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| ***Recurring fair value measurements***  **At 30 June 2023**  **Financial assets**  Current financial assets at FVPL  Loan to the related party - Ranger | **Notes** | **Level 1**  **$** | **Level 2**  **$** | **Level 3**  **$** | **Total $** |
| Equipment Pty Limited  Non-current financial assets at FVPL  Australian listed equity securities – | 30 | **-** | **-** | **5,546,609** | **5,546,609** |
| **Ten Sixty Four Limited ^** |  | **-** | **-** | **-** | **-** |

|  |  |  |  |
| --- | --- | --- | --- |
| **-** | **-** | **5,546,609** | **5,546,609** |
| **Level 1**  **$** | **Level 2**  **$** | **Level 3**  **$** | **Total $** |
| - | - | 3,153,046 | 3,153,046 |
| 1,669,446 | - | - | 1,669,446 |
| 1,669,446 | - | 3,153,046 | 4,822,492 |

**Total financial assets**

*Recurring fair value measurements*

At 30 June 2022 **Notes**

# Financial assets

Current financial assets at FVPL

Loan to the related party - Ranger

Equipment Pty Limited 30

Non-current financial assets at FVPL Australian listed equity securities –

**Ten Sixty Four Limited ^ Total financial assets**

There are no financial liabilities at fair value though profit and loss at 30 June 2023 (2022: nil).

**^ In February 2023, Ten Sixty Four Limited suspended trading on ASX and on 2 July 2023 entered into voluntary administration. The Group does not mitigate fluctuations in the share price of its equity investments, therefore, the fair value of the investment in Ten Sixty Four Limited as at 30 June 2023 was written down by $1,669,447 (note 7(a)) and valued at nil, using Level 3 inputs in determining fair value.**

**The Group measures the fair value of financial instruments using market observable data where possible. Fair values are categorised into three levels with each of these levels indicating the reliability of the inputs used in determining fair value, as follows:**

**Level 1:** The fair value of financial instruments traded in active markets (such as publicly traded derivatives and equity securities) is based on quoted market prices at the end of the reporting year. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

**Level 2:** The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

**Level 3:** If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

*(ii) Fair values of other financial instruments (unrecognised)*

The carrying amounts of the Group's financial instruments measured at amortised cost are materially aligned to their fair values.

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group’s objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

The Group’s financial instruments consist mainly of deposits with banks, trade and other receivables, security deposits, trade and other payables, borrowings, and royalty payable.

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group’s finance function.

Further details regarding Group’s exposure to financial risks and how these risks could affect the Group’s future financial performance are explained below.

**(a) Market risk**

Market risk arises from the use of interest bearing, tradable and foreign currency financial instruments. It is a risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (price risk).

*(i) Foreign exchange risk*

*Exposure*

The Group's exposure to United States Dollars at the end of the reporting year, expressed in Australian dollars, was as follows:

**30 June 2023** 30 June 2022

**$** $

Trade receivables **12,051,507** 15,537,474

Trade payables **(2,165,439)** (341,552)

**2023** 2022

|  |  |
| --- | --- |
| **$** | $ |
| **654,061** | 446,859 |
| **654,061** | 446,859 |

Net foreign exchange gain/(loss) included in other gains/(losses)

Total net foreign exchange gains recognised in profit before income tax for the year

*Instruments used by the Group*

The Group sells product internationally which is primarily in USD, hence, is exposed to foreign exchange risk. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the functional currency of the relevant Group entity. The risk is measured through a forecast of highly probable US dollar revenues. The Group does not use any derivative products to mitigate fluctuations in the relevant foreign exchange rates. The Group immediately converts its USD sales proceeds on cash receipt to AUD to manage this exposure. The USD exposure exists between invoicing and invoice collection. This exposure is not managed by any financial instruments or natural hedges.

*Sensitivity*

As shown in the table on page 25 above, the Group is primarily exposed to changes in US/AUD exchange rates. The sensitivity of profit or loss to changes in the exchange rates arises mainly from US dollar-denominated financial instruments.

**(a) Market risk (continued)**

1. *Foreign exchange risk (continued)*

*Sensitivity (continued)*

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Impact on other components of** | | |
| **Impact on post-tax profit** | **equity** |  |
| US/AUD exchange rate - increase 5% (2022 | **2023** 2022  **$** $ | **2023 $** | 2022 $ |
| - 5%) \*  US/AUD exchange rate - decrease 5% (2022 | **520,319** 799,786 | **-** | - |
| - 5%) \* | **(470,765)** (723,615) | **-** | - |

1. *Interest rate risk*

The Group did not have borrowings or any other financial liabilities at variables rates. No significant interest risk has been identified in relation to financial assets and liabilities.

1. *Commodity price risk*

*Exposure*

Coking coal sales price per contracts generally contains quarterly pricing provisions, where the sale price is linked to the global coking coal price index. Therefore the Group is exposed to the price risk due to volatility in the coking coal price indices. Management reviews the index price at the end of the quarter and sales are then adjusted, based on the final index price, which has been agreed with customers. The Group does not use any derivative products to mitigate fluctuations in the relevant coal price indexes.

1. *Price risk - investments in equity securities*

***Exposure***

**The Group’s exposure to equity securities price risk arises from investments held by the Group in Ten Sixty Four**

**Limited, which is classified in the balance sheet at fair value through profit or loss (FVPL) (note 13). In February 2023,**

**Ten Sixty Four Limited suspended trading on ASX and on 2 July 2023 entered into voluntary administration. The Group does not mitigate fluctuations in the share price of its equity investments, therefore, the fair value of the investment in Ten Sixty Four Limited as at 30 June 2023 was written down by $1,669,447 (note 7(a)) and valued at nil.**

**(b) Credit risk**

Credit risk is the risk that the other party to a financial instrument will fail to discharge their obligation, resulting in the Group incurring a financial loss. Credit risk arises from cash and cash equivalents, contractual cash flows of debt investments carried at amortised cost, deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables. The maximum exposure to credit risk in relation to the financial assets at reporting date is the carrying amount, net of any provisions for impairment, as disclosed in the note 2.

*(i) Risk management*

The Group manages counterparty risk through approval, granting and renewal of credit limits, regularly monitoring exposures against credit limits, and assessing overall financial stability and strength of counterparties on an ongoing basis. Given the Group trades predominately with recognised, credit worthy third parties, the credit risk is determined to be low. The Group assessed the expected credit losses in relation to trade and other receivables in as at 30 June 2023 and a loss allowance of $11,686 was recognised (2022: nil).

**(b) Credit risk (continued)**

1. *Risk management (continued)*

Bank deposits are held with the Westpac Banking Corporation, which has a long-term credit rating with rating agency S&P of AA-.

The entity is also exposed to credit risk in relation to debt investments that are measured at amortised cost, which represent loans to related parties. The maximum exposure at the end of the reporting period is the carrying amount of these investments.

1. *Security*

For some trade receivables the Group may obtain security in the form of bills of exchange or letters of credit which can be called upon if the counterparty is in default under the terms of the agreement.

1. *Impairment of financial assets*

The Group's main financial assets that are subject to the expected credit loss model are trade receivables for sales of inventory.

While cash and cash equivalents are also subject to the impairment requirements of AASB 9, there is no identified impairment loss in either reporting period.

*Trade receivables*

The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales over a period of 12 months before 30 June 2023 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

On that basis, the loss allowance as at 30 June 2023 was determined as follows for both trade receivables and contract assets:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **30 June 2023** | **Current** | **More than 30 days past due** | **More than 60 past due** | **More than 120 days past due** | **Total** |
| Expected loss rate | 0% | 0% | 0% | 100% |  |
| Gross carrying amount – trade receivables | 14,542,241 | 126 | 31,166 | 11,686 | 14,585,219 |
| **Loss allowance** | **-** | **-** | **-** | **11,686** | **11,686** |
| 30 June 2022 | Current | More than 30 days past due | More than 60 past due | More than  120 days past due | Total |
| Expected loss rate | 0% | 0% | 0% | 0% |  |
| Gross carrying amount – trade receivables | 15,814,241 | - | - | - | 15,814,241 |
| **Loss allowance** | - | - | - | - | - |

**(c) Liquidity risk**

Liquidity risk is the risk that the Group may encounter difficulties raising funds to meet financial obligations as they fall due. The objective of managing liquidity risk is to ensure that the Group will always have sufficient liquidity to meet its liabilities when they fall due, under both normal and stressed conditions. Liquidity risk is reviewed regularly by the Board.

The Group manages liquidity risk by monitoring forecast cash flows and liquidity ratios such as working capital. The Group's working capital, being current assets less current liabilities, has improved as a result of commencement of mining production and sales in the current reporting period and strong coal pricing on the global market.

1. *Financing arrangements*

The Group had no undrawn borrowing facilities at the end of the reporting year.

1. *Maturities of financial liabilities*

The tables below analyse the Group's financial liabilities into relevant maturity groupings based on their contractual maturities.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

**Total contractual Carrying Contractual maturities of financial liabilities Less than Between 1 Over 5 cash amount**

**12 months and 5 years years flows liabilities at 30 June 2023 $ $ $ $ $**

**Non-derivatives**

Trade and other payables ^ **45,525,065 - - 45,525,065 45,525,065**

Dividend payable **1,808,598 - - 1,808,598 1,808,598**

Borrowings \* **- 3,073,312 - 3,073,312 2,726,869**

Lease liabilities **-**

**19,367,451**

**14,581,191**

**33,948,642**

**31,698,736**

**66,701,114**

**17,654,503**

**84,355,617**

**81,759,268**

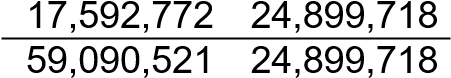
**Total non-derivatives -**

30 June 2022

**Non-derivatives**

Trade and other payables 38,423,837 - - 38,423,837 38,423,837

|  |  |
| --- | --- |
| - | 83,990,239 81,691,615 |

Borrowings 3,073,912 - - 3,073,912 2,953,798 Lease liabilities- 42,492,490 40,313,980

**Total non-derivatives**

\* These borrowings relate to the Director's loan. During the year the Group entered into a new formal loan agreement according to which, effective on from 1 January 2023 the Director's loan of $3,073,312 is interest free and repayable on 31 December 2024, refer note 30(f) for details.

**(c) Liquidity risk (continued)**

*(ii) Maturities of financial liabilities (continued)*

^ Payables include royalty payments in relation to the revenue generated from the coal sales during the current reporting period, which is due to the Queensland Office of the State Revenue. In September 2022, the Group agreed a deferred payment plan with the Queensland Office of the State Revenue, according to which agreed instalments of the outstanding royalty balance as at 30 June 2022 of $14,837,983 would be settled in monthly instalments. Starting from 1 October 2022 a daily interest of 0.02% is accrued on the outstanding royalty balance, which is subject to the agreed deferred payment plan. The outstanding balance of the royalties payable in relation to the prior financial year included in the 30 June 2023 closing balance is $4,826,653.

**4 Critical estimates and judgements**

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

1. **Significant estimates and judgements**

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

1. **Critical accounting estimates and assumptions**

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

1. *Estimated impairment of non-financial assets*

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its value in use and fair value. The fair value calculation is based on a DCF model. The cash flows are derived from the budget for the life of mine. The recoverable amount is sensitive to the discount rate used for the Discounted Cash-Flow (“DCF”) model as well as the expected future cash-inflows and the coal prices forecast and future exchange movements used.

1. *Capitalisation of exploration and evaluation expenditure*

The Group capitalises expenditure relating to exploration and evaluation where it is considered likely to be recoverable or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves. While there are certain areas of interest from which no reserves have been extracted, the directors are of the continued belief that such expenditure should not be written off since feasibility studies in such areas have not yet concluded. Based on the impairment assessment performed by the management at 30 June 2023 in accordance with AASB 6 *Exploration for and Evaluation of Mineral Resources*, no impairment indicators were identified in relation to exploration and evaluation assets balance at the year end.

1. *Capitalisation of development costs*

Initial capitalisation of costs is based on management’s judgement that technical and economic feasibility is confirmed. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generating potential of the project, discount rates to be applied and the expected period of which cash flows are expected to be received.

1. *Mine properties*

Due to the expectation that saleable coal will be produced as a result of the initial mine development, management judgement is required in relation to when mine is considered to have started production, and therefore transferred to mine properties and depreciated. The Group assesses in the end of each period whether there are any impairment indicators in relation to mine properties. As a result of this assessment, no impairment indicators were noted for this financial year.

**4 Critical estimates and judgements (continued)**

**(b) Critical accounting estimates and assumptions (continued)**

1. *Mine rehabilitation*

The Group assesses its mine rehabilitation provision at each reporting date. Significant estimates and assumptions are made in determining the provision for mine rehabilitation as there are numerous factors that will affect the ultimate liability payable. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases, and changes in discount rates. Those uncertainties may result in future actual expenditure differing from the amounts currently provided for.

In particular, the Group has assumed that the site will be restored using technology and materials that are currently available. The rehabilitation provision represents the Group’s best estimate of the costs required to rehabilitate the existing environmental disturbance relating to the plant and other mining facilities, pits and waste dump at Vulcan mine sites.

1. *Determining lease term for contract with the extension options*

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of mining and haulage equipment, the following factors are normally the most relevant:

* If there are significant penalty payments to terminate (or not extend), the group is typically reasonably certain to extend (or not terminate).
* Other factors including expected mining activity based on existing mining plans, the costs and business disruption required to replace the leased asset etc.

Extension option in office lease have not been included in the lease liability, because the Group could replace the assets without significant cost or business disruption.

**5 Revenue from contracts with customers**

The Group derives revenue from the transfer of goods at a point in time as follows:

**$** $

Sale of goods **201,342,935** 138,889,476

1. **Assets and liabilities related to contracts with customers**

There are no contract assets and liabilities recognised as at 30 June 2023 (2022: nil).

1. **Financing component**

The Group does not expect to have any contracts where the period between the transfer of the promised goods to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

1. **Segment revenue**

The Group operates in one operating segment (Queensland, Australia). This segment comprises its entire operations being the Vulcan mine complex and operations. Therefore, all revenue recognised relates to this segment.

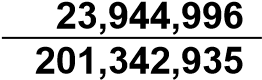
The nature of the Group’s business is that it enters into coal sale contracts with the customers. Five customers (2022: two customers) who contributed to the Group’s total revenue are detailed below:

**2023** 2022

**$** $

|  |  |  |
| --- | --- | --- |
| Customer A (coking coal sales) | **127,359,675** | 133,854,556 |
| Customer B (Bi-product coal sales) | **3,146,007** | 5,034,920 |
| Customer C (coking coal sales) | **9,383,539** | - |
| Customer D (coking coal sales) | **37,508,718** | - |

|  |  |
| --- | --- |
|  | 138,889,476 |
| **2023 $** | 2022 $ |
| **30,560** | 99,960 |
| **120,975** | - |
| **111,432** | 617,004 |
| **262,967** | 716,964 |

Customer E (coking coal sales)  -

1. **Other income**

Rental and sub-lease rental income

Dividends

Other income

1. **Other gains/(losses) and expense items**
2. **Other gains/(losses) - net**

|  |  |  |
| --- | --- | --- |
|  | **$** | $ |
| Net loss on disposal of property, plant and equipment | **(2,217)** | (2,974) |
| Gain on sale of investment | **-** | 159,785 |
| Fair value loss on investment in equity instruments | **(1,669,447)** | (290,339) |
| Fair value adjustment to related party loans | **453,017** | - |
| Net foreign exchange gains | **654,061** | 446,859 |
| Gain from lease modifications | **-** | 15,205 |

|  |  |
| --- | --- |
| **(564,586)** | 328,536 |
| **2023 $** | 2022 $ |
| **-** | 15,000,000 |

1. **Significant expenses**

Warranty payment

On 13 September 2018, the Company entered into a share subscription agreement with a shareholder for up to $50 million. During the 2022 financial year, a matter arose concerning the subscription agreement which has resulted in an amount of $15 million being paid to the shareholder concerned on or about May 2022 to settle the matter. The amount paid represents full and final payment for matters related to the subscription agreement.

1. **Finance costs**

**2023** 2022

**$** $

*Finance income*

Interest from financial assets at amortised cost **550,251** 11,405

|  |  |
| --- | --- |
| **550,251** | 11,405 |
| **(896,541)** | (234,450) |
| **(1,457,469)** | (1,161,637) |
| **(67,359)** | (32,942) |
| **(226,688)** | (226,329) |
| **(2,648,057)** | (1,655,358) |
| **(2,097,806)** | (1,643,953) |

**Finance income**

*Finance costs*

Interest and finance charges paid/payable for financial liabilities at amortised cost

Interest and finance charges paid/payable for lease liabilities

Provisions: unwinding of discount

Related party loan - interest amortisation unwinding **Finance costs expensed**

**Net finance costs**

**8 Income tax expense**

1. **Income tax expense**

**$** $

*Current tax*

Current tax on profits for the year **9,394,149** 7,538,824 Adjustments for current tax of prior periods **(56,940)** 77,115

|  |  |
| --- | --- |
| **9,337,209** | 7,615,939 |
| **4,606,091** | (6,575,662) |
| **1,475,221** | 18,137,615 |
| **6,081,312** | 11,561,953 |
| **15,418,521** | 19,177,892 |
| **2023 $** | 2022 $ |
| **51,270,355** | 55,947,659 |
| **15,381,107** | 16,784,298 |
| **-** | 4,500,000 |
| **500,834** | - |
| **198,412** | - |
| **171,777** | 17,499 |
| **16,252,130** | 21,301,797 |
| **(56,940)** | 77,115 |
| **(776,669)** | - |
| **-** | (2,201,020) |
| **15,418,521** | 19,177,892 |
| **(66,688,876)** | (75,125,551) |
| **2023 $** | 2022 $ |
| **850,000** | 3,506,663 |
| **255,000** | 1,051,999 |

**Total current tax expense**

*Deferred income tax*

Decrease/(increase) in deferred tax assets (note 17)

Increase in deferred tax liabilities (note 24) **Total deferred tax expense**

**Income tax expense**

1. **Numerical reconciliation of income tax expense to prima facie tax payable**

Profit from continuing operations before income tax expense

Tax at the Australian tax rate of 30.0% (2022 - 30.0%) Tax effect of amounts which are not deductible (taxable) in calculating taxable income:

Warranty payment

Non-deductible fair value loss

Non-deductible amortisation

Sundry items

Subtotal

Adjustments for current tax of prior periods

Prior year tax losses applied

Recognition of deferred tax asset on carried forward tax losses Income tax expense

**(c) Tax losses**

Unused tax losses for which no deferred tax asset has been recognised

Potential tax benefit @ 30.0%

1. **Cash and cash equivalents**

**2023** 2022

Cash at bank and in hand

1. **Receivables**

Notes

Trade receivables Loss allowance

Receivables - related parties 30

Related party loans at FVPL 30

Shareholder loans at amortised cost 30

Goods and services tax receivable

Other receivables

1. **Inventories**

Overburden in advance

ROM coal inventory

Processed coal inventory Total inventory at cost

|  |  |
| --- | --- |
| **$** | $ |
| **7,759,992** | 18,963,131 |
| **2023 $** | 2022 $ |
| **14,585,219** | 15,814,241 |
| **(11,686)** | - |
| **14,573,533** | 15,814,241 |
| **1,833,147** | 132,029 |
| **5,546,609** | 3,153,046 |
| **26,985,114** | - |
| **3,137,033** | 4,316,677 |
| **1,145** | 5,482 |
| **52,076,581** | 23,421,475 |
| **2023 $** | 2022 $ |
| **11,959,628** | 5,837,784 |
| **13,651,154** | 5,063,324 |
| **12,275,165** | 13,793,679 |
| **37,885,947** | 24,694,787 |
| **2023 $** | 2022 $ |
| **176,691** | 263,080 |
| **-** | 48,180 |
| **35,000** | 35,000 |
| **211,691** | 346,260 |
| **2023 $** | 2022 $ |
| **-** | 1,669,446 |

Inventory balance at 30 June 2023 of $37,885,947 is recognised at cost (2022: at cost).

1. **Other current assets**

Prepayments

Rental bonds Term deposits

1. **Investments**

**Non-current assets measured at FVPL**

**Shares in Ten Sixty Four Ltd**

1. **Exploration and evaluation, development and mine properties**

The recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively sale, of the respective areas of interest. Management has assessed the recoverability of the exploration and evaluation assets and is confident that there are no impairment factors, due to all projects being geologically evaluated to indicate an economically viable deposit.

**Exploration Mine Mine**

**Development and properties - properties in properties evaluation rehabilitation use Total**

**$ $ $ $ $**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **At 1 July 2021** |  |  |  |  |  |
| Cost or fair value | 13,689,587 | 29,315,906 | 1,000,106 | - | 44,005,599 |
| Accumulated depreciation | - | - | - | - | - |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 13,689,587 | 29,315,906 | 1,000,106 | - | 44,005,599 |
| 13,689,587 | 29,315,906 | 1,000,106 | - | 44,005,599 |
| (16,145,235) | - | - | 16,145,235 | - |
| 423,176 | 61,641 | 1,021,988 | - | 1,506,805 |
| 2,032,472 | (2,032,472) | - | - | - |
| - | - | (615,143) | (3,501,710) | (4,116,853) |
| - | 27,345,075 | 1,406,951 | 12,643,525 | 41,395,551 |
| - | 27,345,075 | 2,022,094 | 16,145,235 | 45,512,404 |
| - | - | (615,143) | (3,501,710) | (4,116,853) |
| - | 27,345,075 | 1,406,951 | 12,643,525 | 41,395,551 |
| - | 27,345,075 | 1,406,951 | 12,643,525 | 41,395,551 |
| - | (5,448) | - | - | (5,448) |
| - | (6,666,665) | - | 6,666,665 | - |
| - | 5,879,531 | 454,572 | - | 6,334,103 |
| - | - | (730,768) | (5,699,064) | (6,429,832) |
| - | 26,552,493 | 1,130,755 | 13,611,126 | 41,294,374 |
| - | 26,552,493 | 2,476,666 | 22,811,900 | 51,841,059 |
| - | - | (1,345,911) | (9,200,774) | (10,546,685) |
| - | 26,552,493 | 1,130,755 | 13,611,126 | 41,294,374 |

Net book amount

**Year ended 30 June 2022**

Opening net book amount

Transfers to production

Additions

Transfers to development

Depreciation charge

Closing net book amount

**At 30 June 2022**

Cost or fair value

Accumulated depreciation Net book amount

**Year ended 30 June 2023**

Opening net book amount

Disposals

Transfers to production

Additions

Depreciation charge

Closing net book amount

**At 30 June 2023**

Cost

Accumulated depreciation

Net book amount

**15 Property, plant and equipment**

**Buildings and Furniture, infra- Plant and fittings and Assets under**

**structure equipment equipment Vehicles construction Total**

**$ $ $ $ $ $**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **At 1 July 2021** |  |  |  |  |  |  |
| Cost | - | 1,348,725 | 690,253 | - | 1,275,716 | 3,314,694 |
| Accumulated depreciation | - | (68,763) | (62,030) | - | - | (130,793) |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| - | 1,279,962 | 628,223 | - | 1,275,716 | 3,183,901 |
| - | 1,279,962 | 628,223 | - | 1,275,716 | 3,183,901 |
| - | 372,490 | - | 60,830 | - | 433,320 |
| - | 188,756 | 434,110 | 238,948 | 22,743,507 | 23,605,321 |
| - | - | (2,974) | - | - | (2,974) |
| 16,758,359 | 4,879,757 | - | - | (21,638,116) | - |
| (601,384) | (287,305) | (129,727) | (19,908) | - | (1,038,324) |
| 16,156,975 | 6,433,660 | 929,632 | 279,870 | 2,381,107 | 26,181,244 |
| 16,758,346 | 6,853,997 | 1,119,779 | 302,848 | 2,381,107 | 27,416,077 |
| (601,371) | (420,337) | (190,147) | (22,978) | - | (1,234,833) |
| 16,156,975 | 6,433,660 | 929,632 | 279,870 | 2,381,107 | 26,181,244 |
| 16,156,975 | 6,433,660 | 929,632 | 279,870 | 2,381,107 | 26,181,244 |
| - | - | - | - | 19,209,655 | 19,209,655 |
| 4,423,468 | 4,790,219 | 519,969 | 190,669 | (9,924,325) | - |
| (7,282,345) | (963,959) | (199,191) | (71,902) | - | (8,517,397) |
| 13,298,098 | 10,259,920 | 1,250,410 | 398,637 | 11,666,437 | 36,873,502 |
| 21,181,826 | 11,635,410 | 1,638,428 | 493,516 | 11,666,437 | 46,615,617 |
| (7,883,728) | (1,375,490) | (388,018) | (94,879) | - | (9,742,115) |
| 13,298,098 | 10,259,920 | 1,250,410 | 398,637 | 11,666,437 | 36,873,502 |

Net book amount

**Year ended 30 June 2022**

Opening net book amount

Transfer from ROUA

Additions

Disposals

Transfers

Depreciation charge

Closing net book amount

**At 30 June 2022**

Cost

Accumulated depreciation Net book amount

**Year ended 30 June 2023**

Opening net book amount

Additions

Transfers

Depreciation charge

Closing net book amount

**At 30 June 2023**

Cost

Accumulated depreciation

Net book amount

1. **Intangible assets**

**Software**

|  |  |
| --- | --- |
| **At 30 June 2022** |  |
| Cost | 60,427 |
| Accumulated amortisation and impairment | (17,102) |
| Net book amount  **Year ended 30 June 2023** | 43,325 |
| Opening net book amount | 43,325 |
| Amortisation charge | (20,142) |
| Closing net book amount  **At 30 June 2023** | 23,183 |
| Cost | 60,427 |
| Accumulated amortisation and impairment | (37,244) |
| Net book amount | 23,183 |

**$**

|  |  |
| --- | --- |
| **2023 $** | 2022 $ |
| **-** | 2,201,020 |
| **773,091** | 616,511 |
| **9,509,621** | 12,094,194 |
| **44,234** | 26,222 |
| **-** | 39,166 |
| **129,339** | 85,263 |
| **10,456,285** | 15,062,376 |
| **(10,456,285)** | (15,062,376) |
| **-** | - |
| **2023 $** | 2022 $ |
| **15,062,376** | 8,486,714 |
| **(4,606,091)** | 6,575,662 |
| **10,456,285** | 15,062,376 |

1. **Deferred tax assets**

Notes

**The balance comprises temporary differences attributable to:**

Tax losses

Provision for rehabilitation

Lease liabilities

Employee benefits

Financial instruments

Accruals and sundry items Total deferred tax assets

Set-off of deferred tax assets pursuant to set-off provisions 24

Net deferred tax assets

Notes **Movements:**

Opening balance

(Charge)/credit to profit or loss 8(a)

Closing balance

1. **Other non-current assets**

|  |  |  |
| --- | --- | --- |
| **Non-current assets** | **2023 $** | 2022 $ |
| Environmental bonds | **2,524,987** | 1,978,267 |
| Road usage bonds | **2,188,735** | 2,349,226 |
| Bank guarantee deposits | **1,307,830** | - |
| Rental bonds | **114,920** | 99,201 |
| Prepayments | **-**  **6,136,472** | 919,648  5,346,342 |

Environmental bonds represent an estimated rehabilitation calculation security deposit. This security is held by the Treasury department in the event the government needs to rehabilitate/manage disturbance of land for a fixed period of time. This bond is returned upon the obligations being met.

Road usage bonds are security bonds held by ISAAC Regional Council specifically related to coal haulage activities.

Rental bonds are a security deposit paid relating to residential tenancy agreements entered into by the Group. These bonds are returned at the end of the tenancy agreement.

Bank guarantee deposits relate to the water supply agreement with SunWater Limited, which the Group entered into during July 2022.

1. **Leases**

**(a) Amounts recognised in the consolidated balance sheet**

The consolidated balance sheet shows the following amounts relating to leases:

**2023** 2022

**$** $

|  |  |  |
| --- | --- | --- |
| **Right-of-use assets** |  |  |
| Premises | **336,222** | 30,456 |
| Equipment | **34,405,319** | 41,918,013 |
| Vehicles | **1,230,625** | 1,870,161 |

|  |  |
| --- | --- |
| **35,972,166** | 43,818,630 |
| **18,592,495** | 16,320,781 |
| **13,106,241** | 23,993,199 |
| **31,698,736** | 40,313,980 |

**Lease liabilities**

Current

Non-current

**19 Leases (continued)**

1. **Amounts recognised in the consolidated balance sheet (continued)**

Future lease payments in relation to lease liabilities as at year end are as follows:

**2023** 2022

**$** $

|  |  |  |
| --- | --- | --- |
| Within one year | **19,367,451** | 17,592,772 |
| Later than one year but not later than five years | **14,581,191**  **33,948,642** | 24,899,718  42,492,490 |

Additions to the right-of-use assets during the 2023 financial year were $6,813,406 (2022: $50,682,477). There were no upfront payments on the leased assets during the year (2022: $525,181).

1. **Amounts recognised in the consolidated statement of profit or loss and other comprehensive income**

The consolidated statement of profit or loss and other comprehensive income shows the following amounts relating to leases:

|  |  |  |
| --- | --- | --- |
| **Depreciation charge of right-of-use assets** | **2023 $** | 2022 $ |
| Buildings | **116,300** | 184,095 |
| Equipment | **13,719,019** | 7,172,352 |
| Vehicles | **824,551** | 389,721 |

|  |  |
| --- | --- |
| **14,659,870** | 7,746,168 |
| **1,457,469** | 1,161,637 |
| **30,560** | 99,960 |
| **-** | 15,205 |
| **2023 $** | 2022 $ |
| **18,638,258** | 8,445,433 |
| **10,980,487** | 14,837,983 |
| **14,904,438** | 14,767,762 |
| **1,001,882** | 372,659 |
| **45,525,065** | 38,423,837 |

Interest expense (included in finance cost)

Rental and sub-lease rental income Gain from lease modification

The total cash outflow for leases in 2023 was $18,381,533 (2022: $12,485,853).

**20 Trade and other payables**

Trade payables

Royalties payable

Accrued expenses

Other payables

1. **Trade and other payables (continued)**

Trade payables are unsecured and are usually paid within 30 days of recognition.

Royalties payable represent an estimated accrual of the royalty payment in relation to the revenue generated from the coal sales during the current reporting period. In September 2022, the Group agreed to a deferred payment plan with the Queensland Office of the State Revenue, in relation to the outstanding royalty balance as at 30 June 2022 of $14,837,983. According to the agreed payment plan, the outstanding royalty balance was settled by monthly instalments during the period from 1 October 2022 until 30 September 2023, and a daily interest of 0.02% is accrued on the outstanding royalty balance. The outstanding balance of the royalties payable in relation to the prior financial year included in the 30 June 2023 balance is $4,826,653.

1. **Borrowings**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **2023** |  |  | 2022 |  |
| **Current $** | **Noncurrent $** | **Total $** | Current $ | Noncurrent $ | Total $ |

*Unsecured*

Loans from related parties \*

**226,329**

**2,500,540**

**2,726,869**

2,953,198

600

2,953,798

**226,329**

**2,500,540**

**2,726,869**

2,953,198

600

2,953,798

Total unsecured borrowings

\* Further information relating to loans from related parties is set out in note 30.

**22 Provisions**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **2023** |  |  | 2022 |  |
|  | **Non-**  **Current current**  **$ $** | **Total $** | Current $ | Noncurrent $ | Total $ |
| Mine rehabilitation | **- 2,576,969** | **2,576,969** | - | 2,055,038 | 2,055,038 |

1. **Information about individual provisions**

The mine rehabilitation provision relates to the Vulcan Mine disturbance footprint and required mine rehabilitation at balance date. The provision includes disturbance areas relating to infrastructure development and mining related activities at balance date.

1. **Movements in provisions**

Movements in the provision during the financial year is set out below:

|  |  |  |
| --- | --- | --- |
| **Mine rehabilitation:** | **2023 $** | 2022 $ |
| Opening balance | **2,055,038** | 1,000,106 |
| Additional provision charged to plant and equipment | **454,572** | 1,021,989 |
| Unwinding of discount | **67,359**  **2,576,969** | 32,943  2,055,038 |

**23 Employee benefit obligations**

**2023** 2022

**Non-** Non-

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **Current $** | **current $** | **Total $** | Current $ | current $ | Total $ |
| Leave obligations | **115,805** | **31,640** | **147,445** | 87,406 | - | 87,406 |

**Leave obligations**

The leave obligations cover the Group’s liabilities for long service leave and annual leave which are classified as either other long-term benefits or short-term benefits, as explained in note 1(u). **24 Deferred tax liabilities**

|  |  |  |  |
| --- | --- | --- | --- |
| **The balance comprises temporary differences attributable to:** | Notes | **2023 $** | 2022 $ |
| Property, plant and equipment (including right-of-use assets) |  | **16,157,416** | 17,626,812 |
| Exploration and evaluation assets |  | **6,473,868** | 4,721,728 |
| Mine properties and rehabilitation assets |  | **1,772,430** | 2,470,895 |
| Inventories |  | **3,587,888** | 1,751,335 |
| Sundry |  | **107,948** | 53,559 |

Total deferred tax liabilities

|  |  |  |  |
| --- | --- | --- | --- |
|  | 17 | **28,099,550** | 26,624,329 |
| **(10,456,285)** | (15,062,376) |
| **17,643,265** | 11,561,953 |
| **2023 $** | 2022 $ |
|  |  | **26,624,329** | 8,486,714 |
| **2023**  **Shares** | 2022  Shares | **1,475,221** | 18,137,615 |
| **28,099,550** | 26,624,329 |
| **2023 $** | 2022 $ |
| **201,990** | 201,990 | **50,000,002** | 50,000,002 |

Set-off of deferred tax assets pursuant to set-off provisions

Net deferred tax liabilities

**Movement:**

Opening balance

Charge to profit or loss Closing balance

**25 Contributed equity**

1. **Share capital**

Ordinary shares - fully paid

1. **Ordinary shares**

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Group in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and on a poll each share is entitled to one vote.

**25 Contributed equity (continued)**

**(b) Ordinary shares (continued)**

Ordinary shares have no par value and the Group does not have a limited amount of authorised capital. **(c) Risk management**

The Group's objectives when managing capital are to:

* safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders, and
* maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

**26 Dividends**

1. **Ordinary shares**

|  |  |
| --- | --- |
| **2023 $** | 2022 $ |

Final dividends **9,999,505** -

During the year Vitrinite Pty Ltd declared and paid $9,999,905 of dividends to the shareholders. The dividends paid were unfranked as there were no franking credits available when the dividends were declared.

At 30 June 2023, the Group’s subsidiaries Qld Coal Australia No. 1 Pty Ltd Australia and Queensland Coking Coal Pty Ltd Australia declared dividends of $18,085,977, of which $16,277,379 relates to Vitrinite Pty Ltd (parent entity) and $1,808,598 relates to the non-controlling interests.

1. **Franking dividends**

Dividends paid after 30 June 2023 will be franked out of available franking credits, or out of franking credits arising from the payment of income tax in the year ending 30 June 2024.

**Consolidated entity**

**2023** 2022

**$** $

Franking credits available for subsequent reporting periods based on a tax rate of

30.0% (2022 - 30.0%) **17,095,367** 7,615,939

The above amounts are calculated from the balance of the franking account as at the end of the reporting year, adjusted for franking credits that will arise from the settlement of liabilities for income tax and dividends after the end of the year.

The parent entity and its subsidiaries are not consolidated for tax purposes. Of the $17,095,367 of franking credits, $1,489,808 relate to tax paid or payable by the parent entity as at 30 June 2023 (2022: no franking credits available to the parent entity).

1. **Remuneration of auditors**

During the year the following fees were paid or payable for services provided by the auditor of the entity: **Ernst & Young**

**2023** 2022

**$** $

Audit of financial statements **93,600** 125,000

|  |  |
| --- | --- |
| **93,600** | 125,000 |
| of tenure and other  **2023**  **$** | 2022 $ |
| **885,242** | 2,036,301 |
| **707,250** | 1,592,492 |
| **1,592,492** | 3,628,793 |

1. **Contingencies**

The Group had no contingent liabilities at 30 June 2023 (2022: nil).

1. **Commitments**

**(a) Expenditure under rights of tenure and other agreements**

At balance date the Group had the following commitments for expenditure under rights agreements:

Exploration and mining commitments^:

Within one year

Later than one year but not later than five years

^ The Group has certain obligations to spend minimum amounts on exploration and mining tenement areas. These obligations are expected to be fulfilled in the normal course of operations.

**2023** 2022

**$** $

Property, plant and equipment ^^ **12,466,205** -

^^ During the year the Group entered into an agreement with Gainwell Engineering Global Pte Ltd in relation to the purchase of the high-wall miner in the total value of US$10,960,000. As at 30 June 2023 US$2,740,000 (A$4,064,715) was recognised in the assets under construction balance in the note 15.

**30 Related party transactions**

1. **Ownership**

The Group is owned by the following entities and none of the shareholders detailed in the table below controls Vitrinite Pty Ltd.

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **Ownership interest** | |
| **Name** | **Place of incorporation** | **2023** | 2022 |
| Vitrinite Holdings LLC | United States of America | 48.86% | 48.86% |
| Vitrinite Holdings Pty Ltd | Australia | 39.61% | 39.61% |
| Vulcan Partners Pty Ltd | Australia | 10.40% | 10.40% |
| Other |  | 1.13% | 1.13% |

1. **Subsidiaries**

Interests in subsidiaries are set out in note 31.

1. **Key management personnel compensation**

|  |  |  |
| --- | --- | --- |
|  | **2023 $** | 2022 $ |
| Short-term employee benefits | **3,918,342** | 1,437,306 |
| Post-employment benefits | **404,535** | 156,182 |
| Total key management personnel compensation | **4,322,877** | 1,593,488 |

In addition to the key management compensation disclosed above, the Group paid $524,680 (2022: $665,057) to management entities for services provided to the Group by its executive directors.

1. **Transactions with other related parties**

The following transactions occurred with shareholder related entities:

|  |  |  |
| --- | --- | --- |
| *Sales and purchases of goods and services* | **2023 $** | 2022 $ |
| Sale of goods to related parties (diesel recharges) (e(ii)) | **77,929** | 312,966 |
| Sale of services (contractor services) (e(i)) | **-** | 341,500 |
| Overhead costs recharges to related parties (e(i), e(ii) and g(ii))^ | **162,807** | - |
| Purchases of services in relation to construction (e(ii)) | **(2,185,157)** | (13,593,192) |
| Salaries and wages recharge from related parties (e(i)) and (e(ii)) | **(17,390,792)** | (3,589,924) |
| Purchase of management services from related party (e(i)) | **(4,026,790)** | (2,779,509) |
| Purchase of management services from other related parties | **(524,680)** | (665,057) |
| Purchases of drilling services (g(ii)) | **(2,274,657)** | (80,399) |
| Overhead costs recharges from related parties (e(i)) and (e(ii)) | **(501,879)** | - |

space

^ Overhead recharges of $3,160 not disclosed in note e(i), (ii) and g(ii) relate to other related parties.

1. **Outstanding balances arising from sales/purchases of goods and services**

The following balances are outstanding at the end of the reporting year in relation to transactions with shareholder related entities:

|  |  |  |
| --- | --- | --- |
| Current receivables/(payables) | **2023 $** | 2022 $ |
| Vulcan Mine Management Pty Ltd (e(i)) | **33,807** | 52,037 |
| Vector Civil & Construction Pty Ltd (e(ii)) | **1,573,870** | 15,173 |
| Ranger Equipment Pty Ltd (g(ii)) | **4,773** | - |
| Other related parties | **220,697** | 64,819 |
| Vector Civil & Construction Pty Ltd (e(ii)) | **(1,447,740)** | (5,856,917) |
| Vulcan Mine Management Pty Ltd (e(i)) | **(4,060,192)** | (1,003,998) |
| Ranger Equipment Pty Ltd (g(ii)) | **(738,395)**  **(4,413,180)** | (80,399)  (6,809,285) |

**(e) Outstanding balances arising from sales/purchases of goods and services (continued)**

**(i) Vulcan Mine Management Pty Ltd**

The Group transacts with the shareholder related entity - Vulcan Mine Management Pty Ltd. Vulcan Mine

Management Pty Ltd provides mine management services to the Group. The Group remunerates Vulcan Mine Management Pty Ltd through the reimbursement of employee costs incurred and accrued plus pays a management fee of 2% from the coal sales revenue.

During the year ended 30 June 2023 the Group incurred costs of:

* $4,026,790 (2022: $2,779,509) as presented in management fee line in the profit and loss;
* $17,390,792 (2022: $3,580,382) of contractor employee costs reimbursement presented in employee benefits expense line in the profit and loss; and
* $6,654 (2022: $nil) overheads and costs recharges presented in mine operating costs line in the profit and loss.

At 30 June 2023 an amount of $4,060,192 (2022: $1,003,998) was outstanding and unpaid.

During the year the Group billed overhead recharges to Vulcan Mine Management Pty Ltd in the value of $23,589 (2022: $nil), recognised in the profit and loss. In prior year Group provided contractor services to the Vulcan Mine Management Pty Ltd in value of $341,500. No such services were provided during the year ended 30 June 2023.

At 30 June 2023 the receivable balance outstanding was of $33,807 (2022: $52,037).

**(ii) Vector Civil & Construction Pty Ltd**

The Group transacts with the shareholder related entity - Vector Civil & Construction Pty Ltd. During the year Vector Civil & Construction Pty Ltd provided:

* construction services to the Group in the value of $2,185,157 (2022: $13,593,129), which were capitalised in the property, plant and equipment as at 30 June 2023; and
* contractor services and overhead recharges of $495,225 (2022: $9,542) presented in mine operating costs line in the profit and loss.

At 30 June 2023 an amount of $1,447,740 (2022: $5,856,917) was outstanding and unpaid.

During the year the Group recharged from the Vector Civil & Construction Pty Ltd:

* diesel fuel costs in the value of $77,929 (2022: $312,955), recognised in mine operating costs line in the profit and loss; and
* overheads and costs recharges of $92,329 (2022: $nil), recognised in the profit and loss.

At 30 June 2023 the receivable balance outstanding was of $1,573,781 (2022: $15,173). The balance includes

$1,425,000 accrual in relation to the remedial work required for Saraji road, which was constructed by Vector Civil & Construction Pty Ltd in prior year. The Group recognised a respective provision liability for the same amount for the remedial works to be performed by the Group and which will be recharged to Vector.

**(f) Loans to/from related parties**

**2023** 2022

**$** $

|  |  |  |
| --- | --- | --- |
| *Loans from director (g(i))* |  |  |
| Beginning of the year | **(2,953,198)** | (2,726,869) |
| Fair value gain | **453,017** | - |
| Interest charged | **(226,688)** | (226,329) |

|  |  |
| --- | --- |
| **(2,726,869)** | (2,953,198) |
| **(600)** | (2,000) |
| **600** | 1,400 |
| **-** | (600) |
| **3,153,046** | 620,565 |
| **2,393,563** | 2,532,481 |
| **5,546,609** | 3,153,046 |
| **26,473,825** | - |
| **511,289** | - |
| **26,985,114** | - |

End of year

*Loans from other related parties* Beginning of the year

Loan repayments received

End of year

*Loans to related parties (g(ii))* Beginning of the year

Loans advanced

End of year

*Loans to shareholders (g(iii))* Loans advanced

Interest charged

End of year

**(g) Terms and conditions**

1. **Director's loans**

Loans from directors were made to the entity on an arm's length basis. As part of the Vitrinite Holdings LLC subscription agreement loans from directors no longer accrue interest and are not secured against assets acquired as part of the Vulcan acquisition. According to the originally agreed terms in the prior years the loan of $3,073,312 was interest free and repayable on demand, however, only once sufficient cash flows become available. As the Director’s loan was no longer accruing interest starting from 31 July 2018, therefore on that date, the loan balance was adjusted to reflect a fair value adjustment based on a market interest rate of 8% unwinding until estimated settlement date, which was initially assessed by the directors to be 31 December 2022.

During the year the Group entered into a new formal loan agreement according to which, effective on from 1 January 2023 the Director's loan of $3,073,312 is interest free and repayable on 31 December 2024. Since the Director’s loan is interest free, therefore on initial recognition date being 1 January 2023, the loan balance was adjusted to reflect a fair value adjustment based on a market interest rate of 8% and considering maturity date being 31 December 2024. **(g) Terms and conditions (continued)**

1. **Ranger Equipment Pty Ltd**

Loans to Ranger Equipment Pty Ltd (an owner related entity) of $5,546,609 (2022: $3,153,046) included in loans to related parties are made on an interest free basis, however, in return for funding Ranger Equipment Pty Ltd operations, the Group is entitled to any surplus generated from those operations. Based on the terms of the loan agreement, the loan to Ranger Equipment Pty Ltd fails the SPPI test, and therefore, is classified and measured at FVPL.

During the year, Ranger Equipment Pty Ltd provided drilling services to the Group in value of $2,274,657 (2022: $80,399), recognised in the mine operating costs line in the profit and loss. An amount of $738,395 was outstanding and unpaid as at 30 June 2023 (2022: $80,399).

During the year the Group recharged from Ranger Equipment Pty Ltd overheads and costs of $43,728 (2022: $nil), recognised in the profit and loss. At 30 June 2023 the receivable balance outstanding was of $4,773 (2022: $nil).

All transactions were made on normal commercial terms and conditions and at market rates.

**(iii) Shareholder loans**

During the year the Group agreed to enter into a shareholder loan agreement with Vitrinite Holdings Pty. According to the terms of the agreement, the Group agreed to grant a loan for an amount up to $9,721,482 at an interest rate of 8% per annum and expiry date on 30 December 2023. The outstanding balance of shareholder loans advanced to Vitrinite Holdings Pty as at 30 June 2023 was of $9,935,552, out of which $214,070 related to the accrued interest income.

During the year the Group agreed to enter into a shareholder loan agreement with Vulcan Partners Pty Ltd. According to the terms of the agreements, the Group agreed to grant loans for an amount up to $5,279,475 at an interest rate of 8% per annum and expiry date on 30 December 2023. The outstanding balance of shareholder loans advanced Vulcan Partners Pty Ltd as at 30 June 2023 was of $5,395,731, out of which $116,256 related to the accrued interest income.

During the year the Group entered into a shareholder loan agreement with Vitrinite Holdings LLC. According to the terms of the agreement, the Group agreed to grant a loan for an amount up to $12,459,279 at an interest rate of 8% per annum and expiry date on 30 December 2023. The outstanding balance of shareholder loans advanced to Vitrinite Holdings LLC as at 30 June 2023 was of $11,389,677, out of which $176,326 related to the accrued interest.

During the year the Group entered into a shareholder loan agreement with the Phillips family. According to the terms of the agreement, the Group agreed to grant a loan for an amount up to $402,978 at an interest rate of 8% per annum and expiry date on 30 December 2023. The outstanding balance of shareholder loans advanced to Phillips family as at 30 June 2023 was of $264,154, out of which $4,637 related to the accrued interest.

The purpose of the shareholder loans granted was to assist Group’s shareholders in financing their financial commitments.

**(iv) Other transactions**

All other transactions were made on normal commercial terms and conditions and at market rates.

**31 Interests in other entities**

**Significant investments in subsidiaries**

The consolidated financial statements incorporate the assets, liabilities and results of the following principal subsidiaries in accordance with the accounting policy described in note 1(b):

|  |  |  |  |
| --- | --- | --- | --- |
| **Name of entity** | **Country of incorporation** | **Equity holding \*\*** | |
|  |  | **2023**  **%** | 2022  % |
| Karin Management Pty Ltd | Australia | **100** | 100 |
| Karin Marketing Pty Ltd | Australia | **100** | 100 |
| Vulcan Sales & Marketing Pty Ltd | Australia | **100** | 100 |
| Qld Coal Australia No. 1 Pty Ltd | Australia | **90** | 90 |
| Queensland Coking Coal Pty Ltd | Australia | **90** | 90 |
| Holston Pty Ltd | Australia | **90** | 90 |

\*\* The proportion of ownership interest is equal to the proportion of voting power held.

**(a) Non-controlling interests (NCI)**

Set out below is summarised financial information for each subsidiary that has non-controlling interests that are material to the Group. The amounts disclosed for each subsidiary are before inter-Group eliminations.

**Qld Coal Australia No. 1 Queensland Coking Coal**

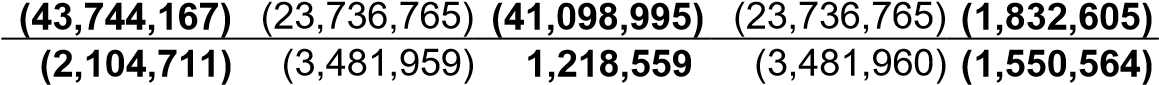
**Pty Ltd Pty Ltd Holston Pty Ltd**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| < blank header row > |  |  |  |  |  |  |
| Dividends paid/payable to NCI | **1,067,968** | - | **740,630** | - | **-** | - |

**2023** 2022 **2023** 2022 **2023** 2022

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Summarised balance sheet** | **$** | $ | **$** | $ | **$** | $ |
| Current assets | **41,639,456** | 20,254,806 | **42,317,554** | 20,254,805 | **282,041** | - |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | | | - |
| **49,820,921** 51,849,954 | **51,490,123** 51,849,954 | | | **3,323,520** -  - |
|  |  | | | - |
| **33,130,354** 23,622,365 | **38,122,826** 23,626,476 | | | **7,559** - |
| **3,313,036** 2,362,236 | **3,812,282** 2,362,648 | | | **756** - |
| **Qld Coal Australia No. 1 Pty Ltd** | **Queensland Coking Coal Pty Ltd** | | | **Holston Pty Ltd** |
| **2023** 2022  **$** $ | **2023 $** | | 2022 $ | **2023** 2022  **$** $ |
| **100,671,468** 69,444,738 **100,671,468** | | 69,450,536 | | **235,787** - |
| **21,097,326** 24,885,896 **20,993,023** | | 24,890,143 | | **7,528** - |
| **21,097,326** 24,885,896 **20,993,023** | | 24,890,143 | | **7,528** - |
| **2,109,733** 2,488,590 **2,099,302** | | 2,489,014 | | **753** - |

Current liabilities-

**Current net (liabilities)/assets**

Non-current assets

Non-current liabilities

**Non-current net assets**

**Net assets**

Accumulated NCI

**Summarised statement of comprehensive income**

Revenue

**Profit for the year**

**Total comprehensive income**

Profit/(loss) allocated to NCI

**31 Interests in other entities (continued)**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **Qld Coal Australia No. 1 Queensland Coking Coal**  **Pty Ltd Australia Pty Ltd** | | | **Holston Pty Ltd** | |
| **Summarised cash flows**  Cash flows from operating | **2023 $** | 2022 **2023**  $ **$** | 2022 $ | **2023 $** | 2022 $ |
| activities  Cash flows from investing | **40,195,900** | 29,433,963 **41,569,825** | 29,438,201 | **30,550** | - |
| activities  Cash flows from financing | **(21,964,005)** | (11,840,975) **(22,319,712)** | (11,840,975) | **(475,187)** | - |
| activities  **Net increases/(decrease) in** | **(15,180,653)** | (17,411,328) **(15,526,541)** | (17,415,493) | **532,174** | - |
| **cash and cash equivalents** | **3,051,242** | 181,660 **3,723,572** | 181,733 | **87,537** | - |

**(a) Non-controlling interests (NCI) (continued)**

Holston Pty Ltd was incorporated on 16 June 2020 by the shareholders and directors of Vitrinite Pty Ltd and was a shell company with nil net assets balance. In June 2022 owners of Holston Pty Ltd decided to repurpose this entity and brought it into the Vitrinite Group as an equipment holdings entity. No consideration was paid by the Vitrinite Pty Ltd to the owners of Holston Pty Ltd. There were no operations in Holston Pty Ltd during the year ended 30 June 2022.

**al**

1. **Cash flow information**
2. **Reconciliation of profit/(loss) after income tax to net cash inflow/(outflow) from operating activities**

|  |  |  |
| --- | --- | --- |
|  | **2023 $** | 2022 $ |
| Profit for the year Adjustments for: | **35,851,834** | 36,769,767 |
| Depreciation and amortisation | **29,282,833** | 12,918,446 |
| Accrued interest on shareholder loans | **(511,289)** | - |
| Accrued interest on director's loan | **226,689** | 226,329 |
| Net loss on sale of non-current assets | **2,217** | 2,974 |
| Gain on sale of investment | **-** | (159,785) |
| Provisions: unwinding of discount | **67,359** | 32,943 |
| Fair value adjustment to related party loans  Fair value (gains)/losses on non-current financial assets at fair value through | **(453,017)** | - |
| profit or loss | **1,669,447** | 290,339 |
| Gain on lease modification | **-** | (15,205) |
| Dividend income  Change in operating assets and liabilities: | **(120,975)** | - |
| Decrease/(increase) in trade and other receivables | **2,148,570** | (19,629,356) |
| Increase in inventories | **(13,191,160)** | (21,729,865) |
| Decrease/(increase) in other operating assets | **86,389** | (245,264) |
| Increase in trade and other payables | **5,676,228** | 28,114,180 |
| Increase/(decrease) in other operating liabilities | **60,039** | (46,021) |
| Increase in income taxes payable | **1,579,051** | 7,615,939 |
| Increase in deferred tax liabilities | **6,081,312** | 11,561,953 |

|  |  |
| --- | --- |
| **68,455,527** | 55,707,374 |
| **2023 $** | 2022 $ |
| **31,698,736** | 40,313,980 |
| **226,329** | 2,953,198 |
| **2,500,540** | 600 |
| **34,425,605** | 43,267,778 |

Net cash inflow from operating activities

1. **Non-cash investing and financing activities**

Non-cash investing and financing activities disclosed in other notes are:

• acquisition of right-of-use assets - note 19

**(c) Debt reconciliation**

Lease liabilities

Borrowings - repayable within one year

Borrowings - repayable after one year

Total debt

**33 Cash flow information (continued)**

**(c) Debt reconciliation (continued)**

|  |  |
| --- | --- |
|  | **Borrow. Borrow. due within due after 1 Lease**  **1 year year liabilities Total**  **$ $ $ $** |
| **Debt as at 1 July 2021** | 2,726,869 2,000 1,524,608 4,253,477 |
| Cash flows | - (1,400)(11,324,216)(11,325,616) |
| New leases | - - 50,326,215 50,326,215 |
| Accrued interest | 226,329 - - 226,329 |

Other non-cash movements - (212,627) (212,627)

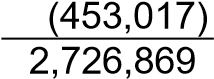
**Debt as at 30 June 2022** 600 40,313,980 43,267,778

-

2,953,198

|  |  |  |
| --- | --- | --- |
| Cash flows | - | (600)(16,924,065)(16,924,665) |
| New leases | - | - 8,308,821 8,308,821 |
| Accrued interest | 226,688 | - - 226,688 |

|  |  |
| --- | --- |
|  | - 31,698,736 34,425,605 |

Other non-cash movements- - (453,017)

**Net debt as at 30 June 2023**

**34 Earnings per share**

1. **Basic earnings per share**
   1. 2022

**$** $

**Earnings per share for profit attributable to the ordinary equity holders of the Group:**

Basic earnings per share **156.652** 157.395

Diluted earnings per share **156.652** 157.395

Basic earnings per share is calculated by dividing the profit attributable to the owners of Vitrinite Pty Ltd by the weighted average number of ordinary shares outstanding during the financial period.

1. **Diluted earnings per share**

Diluted earnings per share are equal to basic earnings per share, since there were no share option plans, convertible notes and any other instruments, which could dilute earnings per share in both reporting periods.

1. **Reconciliations of earnings used in calculating earnings per share**
   1. 2022

**$** $

*Basic earnings per share*

Profit attributable to the ordinary equity holders of the Group used in calculating basic earnings per share:

Profit from continuing operations as presented in the statement of profit or loss **35,851,834** 36,769,767

Less: Profit from continuing operations attributable to non-controlling interests **(4,209,788)** (4,977,604)

**31,642,046** 31,792,163

**34 Earnings per share (continued)**

**(d) Weighted average number of shares used as the denominator**

**2023** 2022

**Number** Number

Opening number of shares **201,990** 201,990

**35 Parent entity financial information**

**(a) Summary financial information**

The individual financial statements for the parent entity, Vitrinite Pty Ltd, show the following aggregate amounts:

**2023** 2022

**$** $

|  |  |  |
| --- | --- | --- |
| Balance sheet |  |  |
| Current assets | **35,853,155** | 22,204,362 |
| Non-current assets | **21,667,136** | 24,097,603 |

|  |  |
| --- | --- |
| **57,520,291** | 46,301,965 |
| **10,984,523** | 4,705,367 |
| **4,921,957** | 600 |
| **15,906,480** | 4,705,967 |
| **41,613,811** | 41,595,998 |
| **50,000,002** | 50,000,002 |
| **965,899** | 965,899 |
| **(15,051,214)** | (15,051,214) |
| **5,699,124** | 5,681,311 |
| **41,613,811** | 41,595,998 |
| **10,017,318** | (13,029,676) |
| **10,017,318** | (13,029,676) |

Total assets

Current liabilities

Non-current liabilities Total liabilities

Net assets

*Shareholders' equity*

Issued capital

Other reserves

Accumulated losses Profit reserve

Total equity

**Profit/(loss) for the year**

**Total comprehensive income/(loss)**

# Directors' declaration

**30 June 2023**

In the directors' opinion:

1. the financial statements and notes set out on pages 5 to 52 are in accordance with the *Corporations Act 2001*, including:
   1. complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
   2. giving a true and fair view of the consolidated entity's financial position as at 30 June 2023 and of its performance for the financial year ended on that date, and
2. there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

This declaration is made in accordance with a resolution of the directors.

Nicholas

Williams

Director

Matthew

Burgess

Director



Brisbane

28 August 2023

Brisbane QLD 4000 Australia

GPO Box 7878 Brisbane QLD 4001

**Independent auditor**’**s report to the members of Vitrinite Pty Ltd**

**Opinion**

We have audited the financial report of Vitrinite Pty Ltd (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statement of 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:

1. Giving a true and fair view of the consolidated financial position of the Group as at 30 June 2023 and of its consolidated financial performance for the year ended on that date; and
2. Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

**Basis for opinion**

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor’s responsibilities for the audit of the financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board’s APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Information other than the financial report and auditor**’**s report thereon**

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

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of the directors for the financial report**

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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Brisbane QLD 4000 Australia

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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:

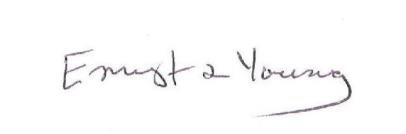
|  |  |
| --- | --- |
| ► | Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The 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 Company’s or 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 Company’s or 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 Company or 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. |

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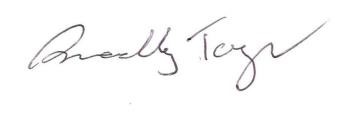
Brisbane QLD 4000 Australia

GPO Box 7878 Brisbane QLD 4001

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



Ernst & Young



Brad Tozer

Partner

Brisbane

28 August 2023

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