

COMPLIANCE CERTIFICATE

26 April 2024

Pembroke Olive Downs Pty Ltd 10% senior secured USD 95,000,000 bonds 2021/2028 (ISIN NO0011173536)

We refer to the Bond Terms for the above captioned Bonds made between Nordic Trustee AS as Bond Trustee on behalf of the Bondholders and the undersigned as Issuer. Pursuant to Clause 12.2 (*Requirements to Financial Reports*) of the Bond Terms, a Compliance Certificate shall be issued in connection with each delivery of Financial Reports to the Bond Trustee.

This letter constitutes the Compliance Certificate for the year ended 31 December 2023.

Capitalised terms used herein will have the same meaning as in the Bond Terms.

With reference to Clause 12.2 (*Requirements as to Financial Reports*) we hereby certify that all information delivered under cover of this Compliance Certificate is true and accurate. Copies of our latest Annual Financial Report at 31 December 2023 are enclosed.

We confirm that, to the best of our knowledge, no Event of Default has occurred or is likely to occur.

Yours faithfully,

PEMBROKE OLIVE DOWNS PTY LTD



Barry Tudor
Chief Executive Officer



Yoko Kosugi
Chief Financial Officer

Enclosure: Annual Financial Report as at 31 December 2023

Pembroke Olive Downs Pty Ltd

ABN 53 611 674 376

General Purpose Financial Report
For the year ended 31 December 2023

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Your directors present their report on Pembroke Olive Downs Pty Limited ('the Company' or 'Pembroke') for the year ended 31 December 2023.

1. Principal activity

The Company's principal activity is to conduct all operations associated with the development of the Olive Downs steel making coal project, including holding and maintaining the mining leases relevant to the project and land on which the project is being developed and constructed.

Otherwise, there was no other significant change in the nature of activities during the period.

2. Directors

The names of the Company's directors in office during the financial year and until the date of this report are set as follows. Directors were in office for this entire period.

Mark Andrew Sheldon

Barry Ralph Tudor

3. Dividends

No dividends were paid or declared since the end of the previous financial year, nor do the directors recommend the declaration of a dividend (2022: \$nil).

4. Operating results for the year

Construction of the key infrastructure components including coal handling and preparation plant (CHPP) and rail infrastructure for the Olive Downs Complex continued during the year under review and the project is on schedule for practical completion in Q1 2024.

The mining services contractor, commenced overburden removal operations in June 2023 in preparation for coal production in Q1 2024.

The net loss after tax of the Company for year ended 31 December 2023 was \$19,996,728 (31 December 2022: \$63,593,731).

5. Significant changes in the state of affairs

The Company issued \$163 million of equity and utilised \$345 million of term debt to fund the construction of the Olive Downs Project during the year.

There were no other significant changes in the state of affairs of the Company during the period.

6. Significant events after the reporting period

There were no significant events occurring after the reporting period which may affect either the Company's operations or results of those operations or the Company's state of affairs.

Directors' report

7. Likely developments and expected results

Likely developments in the operations of the Company and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the Company.

8. Environmental regulation and performance

The mining leases for the first stage of the Olive Downs project were approved on 29 September 2020 with the following mining leases being granted ML700032, 700035 and 700036.

The Company's operations are proceeding in compliance with EA, number EA0001976.

In addition, the Company has obtained federal approval under the Environmental Protection and Biodiversity Conservation Act 1999 (EPBC Act). This is the Australian government's environmental legislation. It covers environmental assessment and approvals, protects significant biodiversity and integrates the management of important and cultural places.

9. Share options

No options to acquire shares in the Company 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.

10. Indemnification and insurance of directors and officers

No indemnities have been given or insurance premiums paid during, or since the end of the financial year for any person who is or has been an officer of the Company.

11. Indemnification of auditor

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

Signed in accordance with a resolution of the directors.



Barry Ralph Tudor
Director
Sydney
5 April 2024

Statement of profit or loss or other comprehensive income

For the year ended 31 December 2023

| | Note | 31 December 2023 \$ | 31 December 2022 \$ |
|--|------|------------------------|------------------------|
| Other income | 4.1 | 11,773,154 | 2,595,788 |
| Administrative expenses | 4.2 | (51,576,285) | (24,530,470) |
| Project expenses | 4.3 | (16,516,480) | (9,854,617) |
| Finance costs | 4.4 | (8,625,779) | (5,647,309) |
| Foreign exchange gain/(loss) | | 5,824,463 | (353,860) |
| Fair value loss on derivatives | | (7,153,448) | (25,803,263) |
| Loss before income tax | | (66,274,375) | (63,593,731) |
| Income tax benefit | 5 | 46,277,647 | - |
| Loss for the year | | (19,996,728) | (63,593,731) |
| Other comprehensive income | | - | - |
| Total comprehensive loss for the year | | (19,996,728) | (63,593,731) |

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

Statement of financial position

As at 31 December 2023

| | Note | 31 December 2023 \$ | 31 December 2022 \$ |
|---------------------------------------|------|------------------------|------------------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 6 | 41,487,632 | 43,883,233 |
| Trade and other receivables | 7 | 19,934,747 | 168,802,180 |
| Inventories | 8 | 9,085,817 | - |
| Other assets | 9 | 5,621,740 | 11,295,840 |
| Total current assets | | 76,129,936 | 223,981,253 |
| Non-current assets | | | |
| Property, plant and equipment | 12 | 272,718,141 | 48,205,558 |
| Development assets | 13 | 977,044,142 | 492,982,069 |
| Deferred tax assets | 5 | 46,277,647 | - |
| Other assets | 9 | 13,325,320 | 24,502,568 |
| Total non-current assets | | 1,309,365,250 | 565,690,195 |
| Total assets | | 1,385,495,186 | 789,671,448 |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 10 | 63,101,729 | 41,771,244 |
| Interest-bearing loans and borrowings | 15 | 6,060,925 | 106,438 |
| Lease liabilities | 16 | 39,656,844 | - |
| Other financial liabilities | 18.4 | - | 11,963,624 |
| Total current liabilities | | 108,819,498 | 53,841,306 |
| Non-current Liabilities | | | |
| Interest-bearing loans and borrowings | 15 | 330,316,865 | 132,352,093 |
| Lease liabilities | 16 | 165,429,873 | - |
| Rehabilitation provision | 14 | 39,747,916 | 5,507,929 |
| Total non-current liabilities | | 535,494,654 | 137,860,022 |
| Total liabilities | | 644,314,152 | 191,701,328 |
| Net assets | | 741,181,034 | 597,970,120 |
| Equity | | | |
| Issued capital | 17 | 866,832,889 | 703,625,247 |
| Accumulated losses | | (125,651,855) | (105,655,127) |
| Total equity | | 741,181,034 | 597,970,120 |

The above statement of financial position should be read in conjunction with the accompanying notes.

Statement of changes in equity

For the year ended 31 December 2023

| | Issued capital (note 17) \$ | Accumulated losses \$ | Total equity \$ |
|---|-----------------------------------|-----------------------------|--------------------|
| Balance as at 1 January 2022 | 344,111,093 | (42,061,396) | 302,049,697 |
| Loss for the period | - | (63,593,731) | (63,593,731) |
| Total comprehensive loss for the period | - | (63,593,731) | (63,593,731) |
| Issue of shares | 359,514,154 | - | 359,514,154 |
| Balance as at 31 December 2022 | 703,625,247 | (105,655,127) | 597,970,120 |
| Balance as at 1 January 2023 | 703,625,247 | (105,655,127) | 597,970,120 |
| Loss for the period | - | (19,996,728) | (19,996,728) |
| Total comprehensive loss for the period | - | (19,996,728) | (19,996,728) |
| Issue of shares | 163,207,642 | - | 163,207,642 |
| Balance as at 31 December 2023 | 866,832,889 | (125,651,855) | 741,181,034 |

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

Statement of cash flows

For the year ended 31 December 2023

| | Note | 31 December 2023 \$ | 31 December 2022 \$ |
|--|------|------------------------|------------------------|
| Operating activities | | | |
| Receipts from customers | | 8,387,443 | - |
| Payments to suppliers | | (83,056,617) | (46,699,816) |
| Interest received | | 3,071,888 | 662,751 |
| Interest paid | | (5,115,428) | (5,647,309) |
| Net cash flows used in operating activities | 11 | (76,712,714) | (51,684,374) |
| Investing activities | | | |
| Payments for development assets | | (428,128,474) | (228,295,686) |
| Payments for property, plant & equipment | | (21,269,507) | (21,785,000) |
| Proceeds from property, plant & equipment | | - | 2,836,844 |
| Proceeds from release of restricted cash | | 6,160,000 | - |
| Net cash flows used in investing activities | | (443,237,981) | (247,243,842) |
| Financing activities | | | |
| Funding from related parties | | 163,207,642 | 355,928,698 |
| Proceeds from borrowings | | 378,479,885 | - |
| Finance facilities establishment costs and commitment fees | | (7,082,598) | (14,669,904) |
| Proceeds from chattel loans | | 754,447 | 301,664 |
| Repayment of chattel loans | | (194,256) | - |
| Lease payments | | (17,602,313) | - |
| Loan repayment | | - | (12,882,295) |
| Net cash flows from financing activities | | 517,562,807 | 328,678,163 |
| Net increase/(decrease) in cash and cash equivalents | | (2,387,888) | 29,749,947 |
| Net foreign exchange differences | | (7,713) | 48,545 |
| Cash and cash equivalents at 1 January | | 43,883,233 | 14,084,741 |
| Cash and cash equivalents at 31 December | | 41,487,632 | 43,883,233 |

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

Notes to the financial statements

For the year ended 31 December 2023

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Notes to the financial statements

For the year ended 31 December 2023

A About this report

1. Corporate information

The financial statements of Pembroke Olive Downs Pty Ltd (the “Company”) for the year ended 31 December 2023 were approved by the directors on the date the directors’ declaration was signed.

Pembroke Olive Downs Pty Ltd is a for profit company limited by shares incorporated and domiciled in Australia. The ultimate parent of the Company is Denham Commodity Partners Fund VI LP and the immediate parent entity is Pembroke Resources Australia Unit Trust.

The registered office and principal place of business of the Company is Level 19, 1 Macquarie Place, Sydney, NSW 2000.

The nature of the operation and principal activity of the Company are described in the Directors’ report. Information on transactions with related parties of the Company is provided in note 19.

2. Material accounting policies

2.1. Basis of preparation

The financial report is a general purpose financial report, which has been prepared in compliance with the requirements of the Australian Accounting Standards (“AAS”) and Interpretations issued by the Australian Accounting Standards Board (“AASB”). The Company is a for profit, private sector entity. Accounting policies have been consistently applied in the financial report. All new and amended standard and interpretations effective for the year have been adopted. We have concluded that there is no impact for the current year.

(i) *Compliance with IFRS*

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

(ii) *Early adoption of standards*

The Company has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 January 2023 (note 2.5).

(iii) *Historical cost convention*

The financial statements have been prepared under the historical cost convention, except for derivative financial instruments that have been measured at fair value (note 18.4).

Notes to the financial statements

For the year ended 31 December 2023

(iv) Significant accounting judgments, estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the entity'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 3.

2.2. Currency

The financial report is presented in Australian dollars (\$), the functional currency of the Company.

2.3. Segment reporting

The Company operates in one operating segment being the development of the Olive Downs metallurgical coking coal complex. All non-current assets are located in one geographical area being Queensland Australia.

2.4. Summary of material accounting policies

(a) Going concern

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

The Company incurred an operating loss during the year ended 31 December 2023 of \$19,996,728 (31 December 2022: \$63,593,731).

The Company has fully drawn the project term facilities and bond escrow account in 2023 to fund the development of the Olive Downs steel making project. The cost overrun and contingent equity facilities were partially drawn to fund development costs as at 31 December 2023 with the remainder drawn post year end.

Subsequent to year end, the Company has commenced selling coal with the first shipment occurring on 29th February 2024.

The Company has prepared cash flow forecasts, which is based on reaching commercial production in April 2024, which shows that the Company will be able to pay its debts as and when they fall due for the next 12 months. Further, the Company has received a letter of support from its parent company, Pembroke Resources Holdings I LLC for 12 months from the date of this report.

As such, the directors' opinion is that the going concern basis of preparation remains appropriate.

(b) Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on current/noncurrent classification. An asset is current when it is:

Notes to the financial statements

For the year ended 31 December 2023

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when it is:

- Expected to be settled in the normal operating cycle;
- Held primarily for the purpose of trading;
- Due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current.

(c) Cash and cash equivalents

Cash in the statement of financial position comprise 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.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash, as defined above.

(d) Trade and other receivables

Receivables are classified, at initial recognition, as subsequently measured at amortised cost or fair value through profit or loss. The classification of receivables at initial recognition depends on the receivable's contractual cash flow characteristics and the Company's business model for managing them. In order for a receivable to be classified and measured at amortised cost, it needs to give rise to cash flows that are 'solely payments of principal and interest' (SPPI) on the principal amount outstanding.

Except for trade receivables the Company initially measures a receivable at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables are initially measured at the transaction price.

Receivables at amortised cost are subsequently measured using the 'effective interest rate' (EIR) method and are subject to impairment. The amount receivable in relation to goods and services tax (GST) is due from the local taxation authority and recorded based on the amount of GST paid on purchases. It is presented as a current assets unless collection is not expected for more than 12 months after the reporting date. The Company recognises an allowance for 'estimated credit losses' (ECLs) for all receivables not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the

Notes to the financial statements

For the year ended 31 December 2023

Company expects to receive, discounted at an approximation of the original EIR. For receivables due in less than 12 months, the Company does not track changes in credit risk, but instead, recognises a loss allowance based on the financial asset's lifetime ECL at each reporting date. The expected credit loss is based on its historical credit loss experience in the past two years, current financial difficulties of the debtor and is adjusted for forward-looking factors specific to the debtor and the economic environment. As at 31 December 2023, no allowance for ECLs has been recognised as it is expected that all receivable amounts will be received in full when due (31 December 2022 – nil).

(e) Inventories

Coal stockpiles are physically measured or estimated and valued at the lower of cost or net realisable value. Net realisable value is the estimated future sales price of the product the entity expects to realise when the product is processed and sold, less estimated costs to complete production and bring the product to sale.

If the coal stockpile is not expected to be processed in 12 months after the reporting date, it is included in non-current assets and the net realisable value is calculated on a discounted cash flow basis.

Cost comprises direct purchase costs and an appropriate portion of fixed and variable overhead costs, including depreciation and amortisation, incurred in converting materials into finished goods, based on the normal production capacity.

(f) Stripping (waste removal) costs

As part of its mining operations, the Company incurs stripping (waste removal) costs both during the development phase and production phase of its operations. Stripping costs incurred in the development phase of a mine, before the production phase commences (development stripping), are capitalised as part of the cost of constructing the mine and subsequently amortised over its useful life using a unit of production (UOP) method. The capitalisation of development stripping costs ceases when the mine/component is commissioned and ready for use as intended by management. Factors used to determine when a mine/component has commenced production are set out in the 'Production start date' note (refer to note 3.1(ii)).

Stripping activities undertaken during the production phase of a surface mine (production stripping) are accounted for as set out below. After the commencement of production, further development of the mine may require a phase of unusually high stripping that is similar in nature to development phase stripping. The cost of such stripping is accounted for in the same way as development stripping (as outlined above).

Production stripping is generally considered to create two benefits, being either the production of inventory or improved access to the coal reserves to be mined in the future. Where the benefits are realised in the form of inventory produced in the period, the production stripping costs are accounted for as part of the cost of producing those inventories.

Where the benefits are realised in the form of improved access to the coal reserves to be mined in the future, the costs are recognised as a non-current asset, referred to as a 'stripping activity asset', if the following criteria are met:

Notes to the financial statements

For the year ended 31 December 2023

- future economic benefits (being improved access to the coal reserve) are probable;
- the component of the coal reserve for which access will be improved can be accurately identified; and
- the costs associated with the improved access can be reliably measured.

If any of the criteria are not met, the production stripping costs are charged to profit or loss as operating costs as they are incurred. In identifying components of the coal reserve, the Company works closely with the mining operations personnel to analyse the mine plan. Generally, a component will be a subset of the total coal reserves, and a mine may have several components.

The stripping activity asset is initially measured at cost, which is the accumulation of costs directly incurred to perform the stripping activity that improves access to the identified component of the coal reserves, plus an allocation of directly attributable overhead costs. If incidental operations are occurring at the same time as the production stripping activity, but are not necessary for the production stripping activity to continue as planned, these costs are not included in the cost of the stripping activity asset.

If the costs of the inventory produced and the stripping activity asset are not separately identifiable, a relevant production measure is used to allocate the production stripping costs between the inventory produced and the stripping activity asset. This production measure is calculated for the identified component of the coal reserve and is used as a benchmark to identify the extent to which the additional activity of creating a future benefit has taken place. The Company uses the expected volume of waste extracted compared with the actual volume for a given volume of coal production of each component.

The stripping activity asset is accounted for as an addition to, or an enhancement of, an existing asset, being the mine asset, and is presented as part of 'Mine properties' in the statement of financial position. This forms part of the total investment in the relevant cash generating unit(s), which is reviewed for impairment if events or changes of circumstances indicate that the carrying value may not be recoverable.

The stripping activity asset is subsequently depreciated using the UOP method over the life of the identified component of the coal reserve that became more accessible as a result of the stripping activity. Economically recoverable reserves, which comprise proven and probable reserves, are used to determine the expected useful life of the identified component of the coal reserve. The stripping activity asset is then carried at cost less depreciation and any impairment losses.

(g) Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

| <i>Asset type</i> | <i>Useful life</i> |
|------------------------|--------------------|
| Land | Not depreciated |
| Furniture and fittings | 10 years |
| Computer and equipment | 2 to 4 years |

Notes to the financial statements

For the year ended 31 December 2023

| | |
|-------------------|---------------|
| Motor vehicles | 8 years |
| Plant & equipment | 3 to 20 years |

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss and other comprehensive income when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

(h) Development Assets

Development assets include costs transferred from exploration and evaluation assets once technical feasibility and commercial viability of an area of interest are demonstrable. After transfer, all subsequent mine development expenditure, excluding any abnormal waste cost incurred, is similarly capitalised, to the extent that commercial viability conditions continue to be satisfied. During the development stage, no depreciation is recorded on development costs.

Development assets are reclassified to production assets once the asset is in the location and condition necessary for it to be capable of operating in the manner intended by management. The project will be determined to be ready for its intended use based on a number of factors including the level of capital expenditure incurred relative to the total estimated construction cost, the completion of a reasonable period of testing, the project being turned over to the operations team and the mine running at a steady state of production, being the achievement of its designed capacity over a continuous period. Depreciation will commence once these criteria have been met, upon transfer to mine assets from development assets.

At each reporting date, the Company assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Company makes a formal estimate of recoverable amount (see note 2.4(i) below). Where the carrying amount of an asset or CGU exceeds its recoverable amount, the carrying amount is reduced to the recoverable amount and the impairment loss recognised in the statement of profit or loss.

(i) Impairment of non-financial assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit (CGU)'s fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Notes to the financial statements

For the year ended 31 December 2023

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

Impairment losses are recognised as an expense in the statement of profit or loss and other comprehensive income.

An assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss and other comprehensive income unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

(j) Trade and other payables

Trade and other payables are carried at amortised cost and due to their short-term nature they are not discounted. They represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

Related party payables are non-interest bearing and are carried at the principal amount. Amounts are due within 30 days of invoice date.

(k) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the 'effective interest rate' (EIR) method. Directly attributable transaction costs such as fees paid on the establishment of loan facilities are included as part of the carrying amount of the loans and borrowings.

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

(l) Other income

(i) Interest income

Notes to the financial statements

For the year ended 31 December 2023

Interest income is recorded using the 'effective interest rate' (EIR) method. The EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income is included in revenue in the statement of profit or loss and other comprehensive income.

(ii) Other income

Other income relates to the sale of surplus rail and port capacity under take-or-pay agreements which is not in the ordinary course of business.

(m) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Where funds are borrowed specifically to finance a project, the amount capitalised represents the actual borrowing costs incurred net of interest earned on the temporary investment of those borrowings. Where the funds used to finance a project form part of general borrowings, the amount capitalised is calculated using a weighted average of rates applicable to relevant general borrowings of the Company during the period. All other borrowing costs are recognised in the statement of profit or loss and other comprehensive income in the period in which they are incurred.

(n) Issued capital

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.

(o) Taxes

(i) Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Company operates and generates taxable income.

(ii) Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is

Notes to the financial statements

For the year ended 31 December 2023

not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

The Company offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(iii) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except:

- When the GST incurred on a sale or purchase of assets or services is not payable to or recoverable from the taxation authority, in which case the GST is recognised as part of the revenue or the expense item or as part of the cost of acquisition of the asset, as applicable
- When receivables and payables are stated with the amount of GST included

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

(p) Foreign currency translation

Notes to the financial statements

For the year ended 31 December 2023

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance date. Foreign exchange differences arising on translation are recognised in the consolidated statement of profit or loss and other comprehensive income.

(q) Derivatives financial instrument

All derivatives are recorded at fair value on the statement of financial position, with changes in fair value recognised in the statement of profit and loss. The Company does not apply hedge accounting. Unrealised gains and losses are recorded in the statement of profit and loss as they occur.

(r) Leases

The Company assesses at contract inception, all arrangements to determine whether they are, or contain, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company is not a lessor in any transactions, it is only a lessee.

The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(i) Right of use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date when the underlying asset is available for use). Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right of use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets if it is expected that the asset will not be acquired at the end of the lease, as follows:

- Mining equipment 5 years
- Residential buildings 50 years
- Fittings 5 years

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

The right of use assets are also subject to impairment.

(ii) Lease liabilities

Notes to the financial statements

For the year ended 31 December 2023

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

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

The Company's lease liabilities are included in Interest-bearing loans and borrowings.

(s) Rehabilitation

Mine rehabilitation costs will be incurred by the Company during construction, while operating, or at the end of the operating life of, the Company's facilities and mine properties. The Company assesses its mine rehabilitation provision at each reporting date. The Company recognises a rehabilitation provision where it has a legal and constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of obligation can be made. The nature of these restoration activities includes dismantling and removing structures; closing plant and waste sites; and restoring, reclaiming and revegetating affected areas. The obligation generally arises when the asset is installed or the ground/environment is disturbed at the mining operation's location. When the liability is initially recognised, the present value of the estimated costs is capitalised by increasing the carrying amount of the related mining assets to the extent that it was incurred as a result of the development/construction of the mine. Additional disturbances that arise due to further development/construction at the mine are recognised as additions or charges to the corresponding assets and rehabilitation liability when they occur.

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.

Any reduction in the rehabilitation liability and, therefore, any deduction from the asset to which it relates, may not exceed the carrying amount of that asset. If it does, any excess over the carrying value is taken immediately to the statement of profit or loss and other comprehensive income. If the change in estimate results in an increase in the rehabilitation liability and, therefore, an addition to the carrying value of the asset, the Company considers whether this is an indication of impairment of the asset as a whole, and if so, tests for impairment.

Notes to the financial statements

For the year ended 31 December 2023

Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognised in the statement of profit or loss and other comprehensive income as part of finance costs.

2.5. New and Amended Accounting Standards and Interpretations Issued but Not Yet Effective

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2023 (unless otherwise stated). The adoption of any new standards did not have a material impact on the financial statements of the Company. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective and there are no standards that are expected to have a material impact of the financial statements of the Company in future years.

3. Significant accounting judgements, estimates and assumptions

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

3.1. Significant judgements

Information about significant judgements in applying accounting policies are set out below:

(i) Onerous contracts

At the end of each period, the Company assesses all future benefits over the life of each of the contractual arrangements to determine whether a contract is onerous. During the year no such contracts were identified.

(ii) Production start date

The Company assesses the stage of the mine under development/construction to determine when the mine moves into the production phase, this being when the mine is substantially complete and ready for its intended use. The criteria used to assess the start date are determined based on the unique nature of the mine development/ construction project, such as the complexity of the project and its location. The Company considers various relevant criteria to assess when the production phase is considered to have commenced. At this point, all related amounts are reclassified from 'Mines under construction' to 'Producing mines' and/or 'Property, plant and equipment'. Some of the criteria used to identify the production start date include, but are not limited to:

- Once practical completion of major construction has been awarded;
- Completion of a reasonable period of testing of the mine plant and equipment;
- Ability to produce coal in saleable form (within specifications); and
- Ability to sustain ongoing production of coal.

Notes to the financial statements

For the year ended 31 December 2023

When a mine development project moves into the production phase, the capitalisation of certain mine development costs ceases and costs are either regarded as forming part of the cost of inventory or expensed, except for costs that qualify for capitalisation relating to mining asset additions or improvements, underground mine development or mineable reserve development. It is also at this point that depreciation/amortisation commences. At the balance sheet date, the Olive Downs Complex was still in development.

(iii) Assessment that the mining services arrangement contains a lease

The Company's mining services arrangement was assessed at inception to determine whether the contract conveyed the right to control the use of an identified asset for the period of the contract and is therefore a lease. The criteria set out in AASB16 which include factors such as:

- the right to obtain substantially all the economic benefits from the use of the identified asset
- the right to direct the use of the identified asset
- does the counterparty have substantive substitution rights

Based on this assessment, the Company has determined that the Company's mining services arrangement contains a lease.

(iv) Identification of non-lease components

In addition to containing a lease, the Company's mining services arrangement involves the provision of additional services, including personnel cost, maintenance, drilling related activities and other items. These are considered to be non-lease components and the Company has elected to separate these from the lease components. Judgement is required to identify each of the lease and non-lease components. The consideration in the contract is then allocated between the lease and non-lease components on a relative stand-alone price basis. This requires the Company to estimate stand-alone prices for each lease and non-lease component.

(v) Estimating the incremental borrowing rate

The Company cannot readily determine the interest rate implicit in its leases. Therefore, it uses the relevant incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR, therefore, reflects what the Company would have to pay, which requires estimation when no observable rates are available and to make adjustments to reflect the terms and conditions of the lease. The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to consider certain contract and entity-specific judgements estimates (such as the lease term, asset type and its credit rating).

(vi) Recognition of deferred tax assets

Deferred tax assets, including those arising from carried forward tax losses, capital losses and temporary differences, are recognised only where it is considered probable that they will be recovered, which is dependent on the generation of sufficient future taxable profits. Given the Olive Downs

Notes to the financial statements

For the year ended 31 December 2023

Complex is nearing completion of construction and is expected to reach commercial production in Q1 2024, it is considered probable that sufficient future taxable profits will be generated to recover unrecouped tax losses and temporary differences.

3.2. Key estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

(i) *Carrying value of development asset*

At the end of each period, the Company assesses whether there is any indication that the development asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. During the year no indicators of impairment were identified.

(ii) *Mineral reserves and resources*

The estimated quantities of economically recoverable Reserves and Resources are based on interpretations of geological and geophysical models, which require assumptions to be made of factors such as estimates of future operating performance, future capital requirements and short and long term coal prices. The Company determines its Reserves and Resources under the Australian Code for Reporting Mineral Resources and Ore Reserves December 2012 (the JORC Code).

The JORC Code requires the use of reasonable investment assumptions to calculate reserves and resources. Changes in reported Reserves and Resources can impact the carrying value of property, plant and equipment. In future periods, changes in reported Reserves and Resources will also impact the provision for rehabilitation and the amount charged for amortisation and depreciation. Material changes in circumstances may affect the assumptions used to determine the recoverable amount of the Company's assets and could result in an impairment at future reporting dates.

(iii) *Rehabilitation provision*

The ultimate rehabilitation costs are uncertain, and cost estimates can vary in response to many factors, including estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases as compared to the inflation rates (2.5% in future years), and discount rates (3.731% to 4.374%). These uncertainties may result in future actual expenditure differing from the amounts currently provided. Therefore, significant estimates and assumptions are made in determining the provision for mine rehabilitation. As a result, there could be significant adjustments to the provisions established which would affect future financial result. The provision at reporting date represents management's best estimate of the present value of the future rehabilitation costs required. The provision is based on rehabilitation cost expected to be incurred in 2050 based on the initial expiry date of mining leases.

Notes to the financial statements

For the year ended 31 December 2023

(iv) *Derivative financial instrument*

Fair value of derivative financial instruments that remained open at the end of the reporting period are measured by using observable market inputs, such as forward currency rates and considering the issuers credit risk.

Notes to the financial statements

For the year ended 31 December 2023

B Company performance

| | 31 December 2023 \$ | 31 December 2022 \$ |
|---|------------------------|------------------------|
| 4. Other income and expenses | | |
| 4.1. Other income | | |
| Interest revenue | 3,204,485 | 2,595,788 |
| Other | 8,568,669 | - |
| | 11,773,154 | 2,595,788 |
| 4.2. Administrative expenses | | |
| Administrative management recharge (note 19) | 14,839,251 | 12,743,007 |
| Project advisory and other project costs | 31,102,641 | 7,685,227 |
| Insurance | 2,871,372 | 2,023,387 |
| Land taxes and council rates and charges | 923,406 | 1,454,454 |
| Depreciation | 296,922 | 24,272 |
| Travel | 560,058 | 202,426 |
| Legal and accounting | 982,635 | 397,697 |
| | 51,576,285 | 24,530,470 |
| 4.3. Project costs | | |
| Water supply contract | 7,328,227 | 6,097,636 |
| Rail haulage contract | 322,887 | 2,922,561 |
| Port handling contract | 6,665,366 | 834,420 |
| Mining contract | 2,200,000 | - |
| | 16,516,480 | 9,854,617 |
| 4.4. Finance costs | | |
| Finance expenses | 8,085,026 | 4,229,609 |
| Interest expenses | 230,756 | 1,417,700 |
| Unwinding of discount on rehabilitation provision | 309,997 | - |
| | 8,625,779 | 5,647,309 |

Finance expenses relate to bank guarantee fees.

Notes to the financial statements

For the year ended 31 December 2023

| | 31 December 2023 \$ | 31 December 2022 \$ |
|--|------------------------|------------------------|
| 5. Income tax | | |
| 5.1. Income tax benefit | | |
| Deferred tax: | | |
| Current year tax losses | 73,293,696 | - |
| Recognition of prior period tax losses | 48,147,998 | - |
| Relating to origination and reversal of temporary differences | (58,712,394) | - |
| Adjustments in respect of deferred income tax of previous years | (16,451,653) | - |
| Income tax benefit/(expense) recognised in the profit or loss and other comprehensive income | 46,277,647 | - |
| 5.2. Reconciliation | | |
| Accounting loss before income tax | 66,274,375 | 63,593,731 |
| At Australia's statutory income tax rate of 30% | 19,882,313 | 19,078,119 |
| Benefit from previously unrecognised tax losses | 48,147,998 | - |
| Movements in deferred tax balances related to temporary differences | (16,451,452) | - |
| Deferred tax asset temporary difference on rehabilitation provision not recognised | (5,301,212) | - |
| Tax losses and deductible temporary differences not recognised | - | (19,078,119) |
| Income tax benefit reported in the statement of profit or loss and other comprehensive income | 46,277,647 | - |

Notes to the financial statements

For the year ended 31 December 2023

5.3. Deferred income tax

Deferred income tax at 31 December relates to the following:

| | Statement of financial position | |
|--|---------------------------------|--------------|
| | 2023 | 2022 |
| | \$ | \$ |
| <i>Deferred income tax liabilities</i> | | |
| Development asset | (104,815,692) | (37,927,233) |
| Right of use assets | (67,026,048) | |
| Other assets | - | (2,963,696) |
| Other financial liabilities | (6,370,500) | - |
| Borrowing cost | (3,451,743) | - |
| | (181,663,983) | (40,890,929) |
| <i>Deferred tax assets</i> | | |
| Accruals | - | 79,523 |
| Other financial liabilities | - | 3,589,088 |
| Borrowing cost | - | 189,373 |
| Lease liability | 61,526,015 | - |
| Rehabilitation provision | 6,623,182 | - |
| Unrealised foreign exchange | 2,119,496 | 446,709 |
| Blackhole expenditure | 1,613,754 | 1,968,747 |
| Tax losses | 156,059,183 | 34,617,489 |
| | 227,941,630 | 40,890,929 |
| Deferred tax expense | | |
| Net deferred tax asset | 46,277,647 | - |

The Company has total gross tax losses in Australia of \$520,197,277 (2022: \$218,552,873). All tax losses in 2023 have been recognised (2022: \$115,391,630) with no unrecognised tax losses in 2023 (2022: \$103,131,243). These tax losses can be carried forward indefinitely subject to the Company satisfying the Continuity of Ownership Test or the Business Continuity Test.

Notes to the financial statements

For the year ended 31 December 2023

C Working capital and cashflows

| | Note | 31 December 2023 \$ | 31 December 2022 \$ |
|---------------------------------------|------|------------------------|------------------------|
| 6. Cash and cash equivalents | | | |
| Cash at bank | | 41,487,632 | 43,883,233 |
| 7. Trade and other receivables | | | |
| Sundry receivables | | 181,226 | - |
| GST receivable | | 3,192,596 | 4,284,283 |
| Interest receivable | | - | 1,441,724 |
| Restricted cash | | 15,757,597 | 21,785,000 |
| Funds held in Escrow – Nordic Trustee | | 803,328 | 141,291,173 |
| | | 19,934,747 | 168,802,180 |

The Bond funds were fully drawn during the year from the escrow account which is held under the name of NT Services AS, as Account Manager for Nordic Trustee AS, the Bond Trustee. The account is held in DNB Bank ASA. Pembroke Olive Downs Pty Limited as issuer is the beneficial owner of the account. The funds remaining in the escrow account relate to interest earned on the account. A request for release of these funds has been made in 2024.

Restricted cash is funds required for equity contributions to be deposited before first draw down under the debt facilities (2022: funds provided as security for bank guarantees on issue). These funds are only able to be accessed after the Bond and Term Facility is fully drawn. The funds were released in January 2024.

8. Inventories

At net realisable value

| | | |
|--|-----------|---|
| Coal inventories at the lower of cost and net realisable value | 9,085,817 | - |
|--|-----------|---|

A write down of coal inventories from cost to net realisable value of \$615,774 has been recognised. No expense has been recognised in the profit and loss in respect to inventory sold.

9. Other assets

Current

| | | |
|----------------------------|------------------|-------------------|
| Deposits paid to suppliers | 245,484 | 7,411,709 |
| Prepayments | 4,547,782 | 3,884,131 |
| Prepaid borrowing costs | 828,474 | - |
| | 5,621,740 | 11,295,840 |

Non-current

| | | |
|-------------------------|-------------------|-------------------|
| Prepayments | 9,134,281 | - |
| Prepaid borrowing costs | 4,191,039 | 24,502,568 |
| | 13,325,320 | 24,502,568 |

Notes to the financial statements

For the year ended 31 December 2023

Prepaid commitment fees were included in other assets in 2022 as there was no amount drawn on these facilities to offset the prepaid commitment fees against. Following drawing of these facilities in 2023, the prepaid commitments fees have been transferred from other assets to interest bearing liabilities and included in the carrying value of the relevant interest bearing liability.

| | Note | 31 December 2023 \$ | 31 December 2022 \$ |
|-------------------------------------|------|------------------------|------------------------|
| 10. Trade and other payables | | | |
| Trade payables | | 22,170,031 | 26,065,169 |
| Accrued expenses | | 38,513,846 | 12,324,706 |
| Related party payables (note 19) | | 1,771,655 | 2,508,135 |
| Other payables | | 646,197 | 873,234 |
| | | 63,101,729 | 41,771,244 |

Trade and related payables are non-interest bearing and are normally settled on 30 day terms following the end of the month in which the invoice was issued.

| | | |
|---|---------------------|---------------------|
| 11. Reconciliation of loss after income tax to net cash used in operating activities | | |
| Loss after income tax expense for the year | (19,996,728) | (63,593,731) |
| Adjustments for: | | |
| Depreciation and amortisation | 296,922 | 24,272 |
| Unrealised foreign exchange (gains)/losses | 313,932 | 20,911,570 |
| Unwinding of discount | 309,997 | - |
| Changing in operational assets and liabilities: | | |
| Trade and other receivables | (4,074,908) | (3,883,310) |
| Inventories | (9,085,817) | - |
| Other assets | (7,565,329) | (19,336,273) |
| Deferred tax assets | (46,277,647) | - |
| Trade and other payables | 22,203,721 | 14,193,100 |
| Other financial liabilities | (12,836,857) | - |
| | (76,712,714) | (51,684,372) |

Notes to the financial statements

For the year ended 31 December 2023

D Resource assets and liabilities

| | Land | Plant & equipment | Right of use assets | Total |
|--|------|-------------------|---------------------|-------|
|--|------|-------------------|---------------------|-------|

12. Property, plant and equipment

At 1 January 2022

| | | | | |
|-------------------------------|-------------------|-----------|----------|-------------------|
| Gross carrying amount at cost | 51,066,675 | 115,985 | - | 51,182,660 |
| Accumulated depreciation | - | (115,985) | - | (115,985) |
| Net book value | 51,066,675 | - | - | 51,066,675 |

Year ended 31 December 2022

| | | | | |
|------------------------|-------------------|----------------|----------|-------------------|
| Additions | - | 417,910 | - | 417,910 |
| Deductions | (3,254,755) | - | - | (3,254,755) |
| Depreciation charge | - | (24,272) | - | (24,272) |
| Closing net book value | 47,811,920 | 393,638 | - | 48,205,558 |

At 31 December 2022

| | | | | |
|-------------------------------|-------------------|----------------|----------|-------------------|
| Gross carrying amount at cost | 47,811,920 | 533,895 | - | 48,345,815 |
| Accumulated depreciation | - | (140,257) | - | (140,257) |
| Net book value | 47,811,920 | 393,638 | - | 48,205,558 |

Year ended 31 December 2023

| | | | | |
|------------------------|-------------------|------------------|--------------------|--------------------|
| Additions | - | 1,281,275 | 246,355,270 | 247,636,545 |
| Depreciation charge | - | (188,851) | (22,935,111) | (23,123,962) |
| Closing net book value | 47,811,920 | 1,486,062 | 223,420,159 | 272,718,141 |

At 31 December 2023

| | | | | |
|-------------------------------|-------------------|------------------|--------------------|--------------------|
| Gross carrying amount at cost | 47,811,920 | 1,815,170 | 246,355,270 | 295,982,360 |
| Accumulated depreciation | - | (329,108) | (22,935,111) | (23,264,219) |
| Net book value | 47,811,920 | 1,486,062 | 223,420,159 | 272,718,141 |

Property plant and equipment other than right of use assets are encumbered to the extent disclosed in note 15.

| | Note | 31 December 2023 \$ | 31 December 2022 \$ |
|-------------------------------|------|------------------------|------------------------|
| 13. Development assets | | | |
| Cost as at 1 January | | 492,982,069 | 233,993,536 |
| Additions: | | | |
| Construction in progress | | 453,854,589 | 253,480,604 |
| Rehabilitation provisioning | | 30,207,484 | 5,507,929 |
| Closing balance | | 977,044,142 | 492,982,069 |

Borrowing costs relating to the Olive Downs Complex currently under development, which have been capitalised in 'Construction in progress' during the year, amounted to \$25,874,538 (31 December 2022:

Notes to the financial statements

For the year ended 31 December 2023

\$16,950,015) represented by specific borrowing costs of \$19,016,117 and general borrowing costs of \$6,858,421.

Mine development assets are encumbered to the extent disclosed in note 15.

| | Note | 31 December 2023 \$ | 31 December 2022 \$ |
|-------------------------------------|------|------------------------|------------------------|
| 14. Rehabilitation provision | | | |
| At 1 January | | 5,507,929 | - |
| Arising during the year | | 33,929,990 | 5,507,929 |
| Unwinding of discount | | 309,997 | - |
| At 31 December | | 39,747,916 | 5,507,929 |

Notes to the financial statements

For the year ended 31 December 2023

E Capital structure and financing

| | Note | 31 December 2023 \$ | 31 December 2022 \$ |
|--|------|------------------------|------------------------|
| 15. Interest-bearing loans and borrowings | | | |
| Current | | | |
| Bond | | 5,023,108 | - |
| Term debt | | 4,793,790 | - |
| Cost overrun facility | | (4,143,977) | - |
| Chattel mortgages | | 388,004 | 106,438 |
| | | 6,060,925 | 106,438 |
| Non-current | | | |
| Bond | | 127,456,575 | 132,173,462 |
| Term debt | | 182,435,429 | - |
| Cost overrun facility | | 19,967,604 | - |
| Chattel mortgages | | 457,257 | 178,631 |
| | | 330,316,865 | 132,352,093 |

The negative current cost overrun facility relates to amortisation of prepaid borrowing costs expected in 2024.

The movement in interest bearing liabilities is set out in the below table.

| | Principal | Discount | Establishment costs | Prepaid commitment fees | Total |
|-----------------------------|--------------|-------------|---------------------|-------------------------|--------------|
| <i>Macquarie facilities</i> | | | | | |
| As at 1 January 2022 | 12,865,700 | - | - | - | 12,865,700 |
| Repayments | (12,865,700) | - | - | - | (12,865,700) |
| As at 31 December 2022 | - | - | - | - | - |
| <i>Bond</i> | | | | | |
| As at 1 January 2022 | 130,926,131 | (4,582,415) | (4,418,712) | - | 121,925,004 |
| Amortisation | - | 631,241 | 631,244 | - | 1,262,485 |
| Foreign exchange movement | 9,295,271 | (309,298) | - | - | 8,985,973 |
| As at 31 December 2022 | 140,221,402 | (4,260,472) | (3,787,468) | - | 132,173,462 |
| Current | - | - | - | - | - |
| Non-current | 140,221,402 | (4,260,472) | (3,787,468) | - | 132,173,462 |
| Total | 140,221,402 | (4,260,472) | (3,787,468) | - | 132,173,462 |

Notes to the financial statements

For the year ended 31 December 2023

| | Principal | Discount | Establishment costs | Prepaid commitment fees | Total |
|------------------------------|-------------|-------------|---------------------|-------------------------|--------------|
| <i>Chattel mortgages</i> | | | | | |
| As at 1 January 2022 | - | - | - | - | - |
| Drawings | 330,398 | - | - | - | 330,398 |
| Repayments | (45,329) | - | - | - | (45,329) |
| As at 31 December 2022 | 285,069 | - | - | - | 285,069 |
| Current | 106,438 | - | - | - | 106,438 |
| Non-current | 178,631 | - | - | - | 178,631 |
| Total | 285,069 | - | - | - | 285,069 |
| <i>Bond</i> | | | | | |
| As at 1 January 2023 | 140,221,402 | (4,260,472) | (3,787,468) | - | 132,173,462 |
| Amortisation | - | 734,652 | 884,899 | - | 1,619,551 |
| Foreign exchange movement | (1,332,542) | 19,212 | - | - | (1,313,330) |
| As at 31 December 2023 | 138,888,860 | (3,506,608) | (2,902,569) | - | 132,479,683 |
| Current | 6,555,556 | (788,859) | (743,589) | - | 5,023,108 |
| Non-current | 132,333,304 | (2,717,749) | (2,158,980) | - | 127,456,575 |
| Total | 138,888,860 | (3,506,608) | (2,902,569) | - | 132,479,683 |
| <i>Term facilities</i> | | | | | |
| As at 1 January 2023 | - | - | - | - | - |
| Drawings | 206,621,621 | - | - | - | 206,621,621 |
| Payments | - | - | - | (5,710,332) | (5,710,332) |
| Transfer from other assets | - | - | (6,069,756) | (9,273,178) | (15,342,934) |
| Amortisation | - | - | 500,572 | 1,160,292 | 1,660,864 |
| As at 31 December 2023 | 206,621,621 | - | (5,569,184) | (13,823,218) | 187,229,219 |
| Current | 9,276,342 | - | (1,406,429) | (3,076,123) | 4,793,790 |
| Non-current | 197,345,279 | - | (4,162,755) | (10,747,095) | 182,435,429 |
| Total | 206,621,621 | - | (5,569,184) | (13,823,218) | 187,229,219 |
| <i>Cost overrun facility</i> | | | | | |
| As at 1 January 2023 | - | - | - | - | - |
| Drawings | 20,625,000 | - | - | - | 20,625,000 |
| Payments | - | - | - | (1,372,266) | (1,372,266) |
| Transfer from other assets | - | - | (2,085,616) | (1,438,619) | (3,524,235) |
| Amortisation | - | - | 40,519 | 54,609 | 95,128 |
| As at 31 December 2023 | 20,625,000 | - | (2,045,097) | (2,756,276) | 15,823,627 |
| Current | - | - | (1,927,492) | (2,216,485) | (4,143,977) |
| Non-current | 20,625,000 | - | (117,605) | (539,791) | 19,967,604 |
| Total | 20,625,000 | - | (2,045,097) | (2,756,276) | 15,823,627 |
| <i>Chattel mortgages</i> | | | | | |
| As at 1 January 2023 | 285,069 | - | - | - | 285,069 |
| Drawings | 754,448 | - | - | - | 754,448 |
| Repayments | (194,256) | - | - | - | (194,256) |
| As at 31 December 2023 | 845,261 | - | - | - | 845,261 |
| Current | 388,004 | - | - | - | 388,004 |
| Non-current | 457,257 | - | - | - | 457,257 |
| Total | 845,261 | - | - | - | 845,261 |

Notes to the financial statements

For the year ended 31 December 2023

Prepaid commitment fees were included in other assets in 2022 as there was no amount drawn on these facilities to offset the prepaid commitment fees against. Following drawing of these facilities in 2023, the prepaid commitments fees have been transferred from other assets to interest bearing liabilities and included in the carrying value of the relevant interest bearing liability.

Financing facilities at 31 December 2023

| | Tranche 1 (banks) | Tranche 2 (banks) | Tranche 3 (banks) | Tranche 4 (banks) | Tranche 5 (NAIF) | Tranche 6 (bond) | |
|-------------------------|--------------------------|---|---|--|---------------------|---------------------|----------------------|
| | A\$m | A\$m | A\$m | A\$m | A\$m | US\$m | A\$m (equivalent) |
| Facility type | Term loan | Term loan (cost overrun facility) | Revolving (working capital facility) | Bank guarantee | Term loan | Bond | |
| Facility amount | 39.1 | 30.0 | 44.5 | 80.0 | 167.5 | 95.0 | 138.9 |
| Facility used | 39.1 | 20.6 | - | 31.8 | 167.5 | 95.0 | 138.9 |
| Interest rate | BBSY + fixed margin | BBSY + fixed margin | BBSY + fixed margin | Performance: 5.3%, Financials: 7.3% | 9.38% (fixed) | 10% (fixed) | |
| Bullet or amortising | Amortising | Bullet | Bullet | N/A | Amortising | Amortising | |
| Signing date | 22-Dec-2021 | 22-Dec-2021 | 22-Dec-2021 | 22-Dec-2021 | 22-Dec-2021 | 17-Dec-2021 | |
| Maturity/tenor | 21-Dec-2028 | 21-Dec-2026 | 21-Dec-2026 | 21-Dec-2028 | 21-Dec-2031 | 21-Dec-2028 | |
| Commitment fee | 60% of applicable margin | | | | | N/A | |

Bond Facility – US\$95 million (tranche 6)

On 21 December 2021 the Company completed settlement of a US\$95.0 million senior secured bond facility. The bonds were issued by Pembroke Olive Downs Pty Limited with ISIN NO0011173536 and are administered by the bond trustee, Nordic Trustee AS. As at 31 December 2023, the bond facility amounts to US\$95.0 million, with an original issue discount of US\$3.325 million, resulting in cash proceeds from bond issuance of US\$91,675,000. The Company incurred borrowing costs of US\$3,142,030 (AUD \$4,418,712) on the transaction, and these have been netted against the bond in the financial statements. As at 31 December 2023, the face value of the bond was US\$95.0million (AU\$138,888,860) and net of amortised original issue discount is AU\$135,382,252.

Key terms:

- Issuer: Pembroke Olive Downs Pty Limited
- 7-year tenor with a maturity date of 21 December 2028
- Original issue discount 3.5% (issue price 96.5% of nominal amount)
- Coupon rate of 10% per annum with interest payable quarterly
- Principal repayments commencing 33 months after issue date, with remaining bullet payable at maturity
- Non-callable by the Company for 3 years, after which the bond is repayable at price equal to 105% of nominal amount of each redeemed bond, declining rateably to par in year 6

Notes to the financial statements

For the year ended 31 December 2023

- Transaction security: Security over all material assets of the Issuer and Obligors, including mortgages over the land and mining tenements of the Issuer and a pledge of all the shares of the Issuer and obligors.

Pembroke Olive Downs Pty Limited and the Account Manager have granted a pledge on a first priority basis pursuant to the Bond Escrow Account Pledge and the Bond Refinancing Reserve Account Pledge respectively, of all Pembroke Olive Downs and the Account Manager's present and future rights, title and interest in the respective Accounts in favour of the Bond Trustee (on behalf of the Bondholders under the Bond Terms).

Project Finance Bank/NAIF Senior Syndicated Facility

On 23 December 2021 the Company reached financial close with National Australia Bank (NAB), Sumitomo Mitsui Banking Corporation (SMBC) and the Northern Australia Infrastructure Facility (NAIF) for senior debt facilities totaling \$361.2 million as summarised in Tranche 1-5 above.

Key terms:

- 7-year tenor for banks (Tranche 1) with a maturity date of 21 December 2028;
- 10-year tenor for NAIF (Tranche 5) with maturity date 21 December 2031.
- Principle repayments commencing 33 months after issue date, with remaining bullet payable at maturity.
- Transaction security: Security over all material assets of the Issuer and Obligors, including mortgages over the land and mining tenements of the Issuer and a pledge of all the shares of the Issuer and obligors.

Notes to the financial statements

For the year ended 31 December 2023

16. Lease liabilities

Set out below are the carrying amounts of lease liabilities and the movements during the period:

| | Note | 31 December 2023 \$ | 31 December 2022 \$ |
|--|------|------------------------|------------------------|
| As at 1 January | | - | - |
| Additions | | 222,689,030 | - |
| Accretion of interest | | 7,034,419 | - |
| Payments | | (24,636,732) | - |
| As at 31 December | | 205,086,717 | - |
| Current | | 39,656,844 | - |
| Non-current | | 165,429,873 | - |
| Total | | 205,086,717 | - |
| The following are the amounts recognised in the profit or loss: | | | |
| Depreciation on right of use assets | | 108,071 | - |
| Interest on lease liabilities | | 175,997 | - |
| Total amount recognised in profit or loss | | 284,068 | - |
| The following are the amounts recognised in deferred stripping (included in mine development): | | | |
| Depreciation on right of use assets | | 21,726,045 | - |
| Interest on lease liabilities | | 6,858,421 | - |
| Total amount recognised in deferred stripping | | 28,584,466 | - |

The carrying amounts of the right of use assets recognised and the movement during the year are included in note 12. Maturity analysis of lease liabilities is disclosed in note 18.2.

Notes to the financial statements

For the year ended 31 December 2023

| | Note | 31 December 2023 \$ | 31 December 2022 \$ |
|---------------------------------------|------|------------------------|------------------------|
| 17. Issued capital | | | |
| Ordinary shares issued and fully paid | | 866,832,889 | 703,625,247 |

| | No of shares | \$ |
|---|--------------|-------------|
| Ordinary shares issued and fully paid | | |
| As at 1 January 2022 | 344,111,093 | 344,111,093 |
| Issuance of shares to related parties | 359,514,154 | 359,514,154 |
| As at 31 December 2022 | 703,625,247 | 703,625,247 |
| Issuance of shares to related parties (note 19) | 163,207,642 | 163,207,642 |
| As at 31 December 2023 | 866,832,889 | 866,832,889 |

The holders of ordinary shares are entitled to receive dividends and are entitled to one vote per share at meetings of the Company.

18. Financial risk management

The Company's activities expose it to a variety of financial risks: market risks (including currency and interest rate risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Company. The Company uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis and cash flow forecasting.

Risk management is carried out by the relevant Company executives under policies approved by the board of directors and consistent with the finance documents. Management identifies and evaluates financial risks. The board provides the principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, and non-derivative financial instruments.

18.1. Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risks: commodity price risk, interest rate risk and foreign currency risk. Financial instruments affected by market risk include loans and borrowings.

(a) Commodity price risk

The results of the Company in 2023 were not impacted by commodity prices as it is not currently producing. However, the results of the Company in future years will be impacted by coal prices. The Company does not currently hedge this risk.

Notes to the financial statements

For the year ended 31 December 2023

(b) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates during the year relates primarily to the Company's interest bearing loans and borrowings which are denominated in US dollars, being the bond. The Company manages this foreign currency risk by matching receipts and payments in the same currency, monitoring movements in exchange rates and may use derivative financial instruments in the form of forward exchange contracts. Such derivative financial instruments are initially recognised at fair value as at the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

The Company's exposure to foreign currency risk on non-derivative instruments at the end of the reporting period, expressed in Australian dollar, was as follows:

| | 31 December 2023 | 31 December 2022 |
|--------------------------------------|------------------|------------------|
| | \$ | \$ |
| Cash at bank | 197,917 | 3,788,686 |
| Cash held in escrow – Nordic Trustee | 803,328 | 141,291,173 |
| Payables | - | (3,929,950) |
| Interest bearing liabilities – bond | (138,888,860) | (135,960,930) |

As at 31 December 2023, the Company had no open forward contracts (2022: US\$129,000,000). At year end the spot rate for the AUD:USD exchange was \$0.6840 (2022: \$0.6780) while the average forward rate for unsettled forward contracts was at nil (2022: \$0.7260), this difference was recognised as a loss of nil (2022: \$11,963,624).

The results of the Company in future years will be impacted by fluctuations in foreign currency exchange rates as it is expected that 100% of its revenue will be denominated in US dollars. The Company does not currently have any hedges of these future revenue cash flows.

Sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in the foreign exchange rate, with all other variables held constant, of the Company's profit before tax due to changes in the carrying value of monetary assets and liabilities at reporting date:

Notes to the financial statements

For the year ended 31 December 2023

| | Effect on profit before tax for the year ended 31 December 2023 increase/(decrease) \$ | Effect on profit before tax for the year ended 31 December 2022 increase/(decrease) \$ |
|------|---|---|
| +10% | 12,535,238 | 8,342,893 |
| -10% | (15,320,846) | (8,254,703) |

(c) Interest rate risk

The Company is exposed to interest rate risk on its outstanding borrowings from the possibility that changes in interest rates will affect future cash flows. The interest rates on loan facilities is set out in note 15.

Sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans affected on the Company's profit before tax through the impact on floating rate borrowings and cash and cash equivalents (with all other variables held constant).

| | Effect on profit before tax for the year ended 31 December 2023 increase/(decrease) \$ | Effect on profit before tax for the year ended 31 December 2022 increase/(decrease) \$ |
|-----|---|---|
| +1% | (165,842) | - |
| -1% | 165,842 | - |

There was no exposure to floating interest rates in 2022.

18.2. Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Company monitors its risk of a shortage of funds by monitoring the maturity dates of existing debt and other payables.

The Company's objective is to maintain a balance between continuity of funding and flexibility. As at 31 December 2023, the Company had available:

Notes to the financial statements

For the year ended 31 December 2023

- \$41.5 million (2022: \$43.9 million) of cash on hand; and
- \$9.4 million (2022: \$236.6 million) of undrawn committed borrowing facilities.

| | < 1 year | 1-2 years | 2-5 years | > 5 years | Total |
|--|--------------------|--------------------|--------------------|-------------------|--------------------|
| As at 31 December 2023 | | | | | |
| Interest bearing loans and borrowings | 52,493,072 | 90,530,134 | 287,198,576 | 83,994,216 | 514,215,998 |
| Lease liabilities | 52,756,623 | 52,756,623 | 134,618,768 | - | 240,132,014 |
| Accounts payable and accrued liabilities | 63,101,729 | - | - | - | 63,101,729 |
| Total | 168,351,424 | 143,286,757 | 421,817,344 | 83,994,216 | 817,449,741 |
| As at 31 December 2022 | | | | | |
| Interest bearing loans and borrowings | 14,022,140 | 20,618,216 | 84,659,175 | 89,500,736 | 208,800,267 |
| Lease liabilities | - | - | - | - | - |
| Accounts payable and accrued liabilities | 41,771,244 | - | - | - | 41,771,244 |
| Total | 55,793,384 | 20,618,216 | 84,659,175 | 89,500,736 | 250,571,511 |

18.3. Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its financial assets, including other receivables, deposits with banks and other financial institutions. The maximum exposure is equal to the carrying amount of the financial assets, as outlined below.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows and usually occurs when past due for more than one year and not subject to enforcement activity.

The credit risk on cash and cash equivalents is managed by restricting dealing and holding of funds to banks which are assigned high credit ratings by international credit rating agencies. The Company's cash and cash equivalents as at 31 December is held with a financial institution with a credit rating of AA- or higher with Standard & Poor's.

Cash held in the escrow account under the name of NT Services AS (as Account Manager for Nordic Trustee AS the Bond Trustee) with DNB Bank ASA which has a credit rating of AA-Long term: A-1+Short term.

Notes to the financial statements

For the year ended 31 December 2023

Financial assets that are neither past due nor impaired are as follows:

| | 31 December 2023 \$ | 31 December 2022 \$ |
|--------------------------------------|------------------------|------------------------|
| Cash at bank | 41,487,632 | 43,883,233 |
| Sundry receivables | 181,226 | - |
| Interest receivable | - | 1,441,724 |
| Restricted cash | 15,757,597 | 21,785,000 |
| Cash held in escrow – Nordic Trustee | 803,328 | 141,291,173 |
| Supplier deposits | 245,484 | 7,411,709 |

18.4. Fair values

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The following table provides the fair value measurement hierarchy of the Company's financial assets and financial liabilities as at 31 December 2023 and 31 December 2022:

- Level 1: measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: measurements based on inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
- Level 3: measurements based on inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company held the following financial instruments carried at fair value in the statement of financial position:

Notes to the financial statements

For the year ended 31 December 2023

| | Carrying value 31 December 2023 \$ | Fair value Level 1 \$ | Fair value Level 2 \$ | Fair value Level 3 \$ |
|---|--|-----------------------------|-----------------------------|-----------------------------|
| Liabilities measured at fair value | | | | |
| Forward exchange contracts – payable | - | - | - | - |
| Total liabilities measured at fair value | - | - | - | - |
| | Carrying value 31 December 2022 \$ | Fair value Level 1 \$ | Fair value Level 2 \$ | Fair value Level 3 \$ |
| Liabilities measured at fair value | | | | |
| Forward exchange contracts – payable | 11,963,624 | - | 11,963,624 | - |
| Total liabilities measured at fair value | 11,963,624 | - | 11,963,624 | - |

The fair value of derivative financial instruments is derived using valuation techniques based on observable market inputs, such as forward currency rates, at the end of the reporting period. During the period the Company entered into forward exchange contracts to economically hedge foreign exchange risk. A number of these contracts remained open at 31 December 2023.

The carrying values of other financial assets and financial liabilities recorded in the financial statements materially approximates their respective net fair values.

Notes to the financial statements

For the year ended 31 December 2023

F Other

19. Related party transactions

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year.

| | Year | Services received from related parties \$ | Issuance of shares to related parties \$ | Amounts owed to related parties \$ |
|---|-------------|--|---|---|
| Pembroke Resources Mining Pty Ltd | 2023 | 14,839,251 | - | 1,771,655 |
| | 2022 | 13,024,966 | - | 2,223,427 |
| Pembroke Resources Australia Unit Trust | 2023 | - | 163,207,642 | - |
| | 2022 | - | 359,514,154 | 284,707 |
| Total | 2023 | 14,839,251 | 163,207,642 | 1,771,655 |
| | 2022 | 13,024,966 | 359,514,154 | 2,508,134 |

The amounts owed to related parties are classified as trade and other payables (see note 10).

Pembroke Resources Australian Unit Trust (PRAUT)

PRAUT is the owner of 100% of the shares of Pembroke Olive Downs Pty Ltd. During the year, the Company issued shares for \$163,207,642 (2022: \$359,514,154) to PRAUT.

Pembroke Resources Mining Pty Limited (PRMPL)

PRMPL is owned by the common parent PRAUT and acts to provide management services to the Company. Mining management services of \$16,323,176 (2022: \$14,327,463) inclusive of GST were received from PRMPL during the year. Of this amount, nil (2022: \$281,960) was capitalised to the development asset.

Terms and conditions of transactions with related parties

The service received from related parties are recharged at cost with no additional markup. Outstanding balances at the year-end are unsecured, interest free and settlement occurs in cash or offsetting of intercompany balances within the Company. Outstanding balances for cash received from the Trust are converted to equity by way of share distributions. There have been no guarantees provided for any related party receivables. For the year ended 31 December 2023, the Company has not recorded any expected credit losses relating to amounts owed by related parties. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

Compensation of key management personnel of the Company

The Company has not paid any amounts directly to key management personnel including any Directors of the Company. Provision of key management personnel is part of the services provided by

Notes to the financial statements

For the year ended 31 December 2023

Pembroke Resources Mining Pty Ltd to the Company and payment for these services is included in the amount included in the above table.

20. Commitments and contingencies

Commitments

The Company has commitments for capital expenditures under the contracts for construction totaling \$16,890,230 (31 December 2022: \$214,194,478).

The Company's contracts for water supply, rail access and haulage, and port capacity have a term of 10 years and the Company expects to utilise all capacity under the agreements from commencement of production.

Contingent liabilities

As part of the acquisition the tenements for the Olive Downs Complex, the Company assumed the following contingent liabilities:

- Payment of land compensation of \$5 million when the first coal leaves the mining lease, noting that this occurred early in 2024; and
- An obligation to pay a royalty to the vendor of the tenements on coal sold from the tenements. The value of the royalty is not able to be reliably measured as it is dependent on the quantity of coal sold, timing of sales and price for the sales. The royalty payments will be recognised as expenses in the profit or loss when incurred. The royalty obligation is secured by the grant of security over:
 - the Royalty Tenements and all Other Property (being any freehold and leasehold land, and fixtures and water rights, within the Royalty Area);
 - any Product (being saleable coal (incl ROM coal) mined withing the Royalty Area from a Royalty Tenement); and
 - all contracts for the sale of any Product and any proceeds of sale of any Product.

21. Events after the reporting period

There were no significant events occurring after the reporting period which may affect either the Company's operations or results of those operations or the Company's state of affairs.

22. Auditor's remuneration

Auditors of the Company – Ernst & Young (Australia)

| | 31 December 2023 | 31 December 2022 |
|--|------------------|------------------|
| | \$ | \$ |
| Fees paid to the auditor for: | | |
| Audit of statutory financial statements | 236,875 | 105,000 |
| Long service leave audit | 10,000 | - |
| Other services – tax compliance services | 74,905 | - |
| Total | 321,780 | 105,000 |

In accordance with a resolution of the directors of Pembroke Olive Downs Pty Ltd (the Company), I state that:

In the opinion of the directors:

(a) the financial statements and notes of the Company:

- (i) present fairly the Company's financial position as at 31 December 2023 and of its performance for the year ended on that date, and
- (ii) complying with *Australian Accounting Standards* (including the Australian Accounting Interpretations); and

(b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2.1;

(c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the board



Barry Ralph Tudor
Director
Sydney
5 April 2024



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working world**

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Independent auditor's report to the Directors of Pembroke Olive Downs Pty Ltd

Opinion

We have audited the financial report of Pembroke Olive Downs Pty Ltd (the Company), which comprises the statement of financial position as at 31 December 2023, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements, including material accounting policy information, and the directors' declaration.

In our opinion, the accompanying financial report presents fairly, in all material respects, the financial position of the Company as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards.

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 Company in accordance with 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 and fair presentation of the financial report in accordance with Australian Accounting Standards and for such internal control as the directors determine is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Company'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 Company 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 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 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 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.

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



Siobhan Hughes

Partner
Sydney
5 April 2024