

Australasian Mining Services Pty Ltd
ABN 83 612 994 822

Annual Report - for the year ended 31 December 2022

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Australasian Mining Services Pty Ltd
Directors' report
For the year ended 31 December 2022

The directors present their report, together with the financial statements, consisting of Australasian Mining Services Pty Ltd (referred to hereafter as the 'company') for the year ended 31 December 2022.

Directors

The following persons were directors of Australasian Mining Services Pty Ltd during the year and up to the date of this report, unless otherwise stated:

Andrew Andreou – Director
GuoZhu Liu – Director
HeHong Richard Wu – Director
Paul James Mander - Director
Jieqiang Qin – Director

Principal activities

The principal activities of the company during the year was sales and after-sales service to the mining and drilling industry.

Dividends

A total of \$6,500,000 in dividends was declared on 1 February 2023 in relation to the year ended 31 December 2022. A total of \$5,000,000 in dividends was declared and paid during the year ended 31 December 2022 in relation to the year ended 31 December 2021.

Review of operations

The profit for the company after providing for income tax was \$10,744,870 (2021: \$9,831,431).

Significant changes in the state of affairs

There were no other significant changes in the state of affairs of the company during the financial year.

Events subsequent to reporting date

On 1 February 2023, a dividend of \$6,500,000 in total was declared and fully paid from the retained profits of the company by cash, in satisfaction of part of the dividend policy agreed by the shareholders of the company under the Shareholders agreement.

Other than the above, no other matter or circumstance has arisen since 31 December 2022 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

Likely developments and expected results of operations

Information on likely developments in the operations of the company and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the company.

Environmental regulation

The company is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Shares options and interest

No options over issued shares or interests in the company were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

Indemnity and insurance of auditor

The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Proceedings on behalf of the company

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

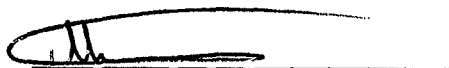
Australasian Mining Services Pty Ltd
Directors' report
For the year ended 31 December 2021

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

A handwritten signature in black ink, appearing to read 'Andrew Andreou', is written over a horizontal line.

Andrew Andreou
Director

15 March 2023
Perth, Western Australia



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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Australasian Mining Services Pty Ltd for the year ended 31 December 2022, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

RSM AUSTRALIA PARTNERS

TUTU PHONG
Partner

Perth, WA
Dated: 15 March 2023

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Australasian Mining Services Pty Ltd
Statement of profit or loss and other comprehensive income
For the year ended 31 December 2022

		31 December 2022	31 December 2021
		\$	\$
Revenue from continuing operations	4	75,439,632	63,391,399
Cost of sales	6	<u>(52,088,224)</u>	<u>(42,230,275)</u>
Gross profit		23,351,408	21,161,124
Other income	5	144,085	60,464
Expenses			
Sales expenses		(2,374,434)	(2,428,150)
Management expenses		(1,285,048)	(1,077,619)
Warehouse expenses		(1,957,302)	(1,411,197)
Administrative expenses		(2,314,050)	(2,173,214)
Financial expenses	6	<u>(177,904)</u>	<u>(75,573)</u>
Profit before income tax expense		15,386,755	14,055,835
Income tax expense	7	<u>(4,641,885)</u>	<u>(4,224,404)</u>
Profit after income tax expense		10,744,870	9,831,431
Other comprehensive income for year, net of tax		<u>-</u>	<u>-</u>
Total comprehensive income for the year		<u>10,744,870</u>	<u>9,831,431</u>

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

Australasian Mining Services Pty Ltd

Statement of Financial Position As at 31 December 2022

	Note	31 December 2022 \$	31 December 2021 \$
Assets			
Current assets			
Cash and cash equivalents	8	9,101,740	8,214,324
Trade and other receivables	9	12,534,502	11,783,039
Inventories	10	23,723,950	24,095,670
Total current assets		45,360,192	44,093,033
Non-current assets			
Plant and equipment	11	1,132,387	895,777
Intangibles	12	14,467	17,614
Security bond		40,150	-
Deferred tax assets	13	405,792	361,795
Right of use assets	14	3,185,351	3,109,070
Total non-current assets		4,778,147	4,384,256
Total assets		50,138,339	48,477,289
Liabilities			
Current liabilities			
Trade and other payables	15	10,796,486	15,156,758
Provision for income tax	20	356,202	606,729
Provision for employee entitlements	21	221,900	216,035
Lease liabilities	16	471,609	399,734
Borrowings	22	168,051	80,520
Total current liabilities		12,014,248	16,459,776
Non-current liabilities			
Provision for employee entitlements	21	95,175	53,347
Deferred tax liabilities	17	297,077	197,819
Lease liabilities	16	2,892,284	2,790,557
Borrowings	22	264,610	145,715
Total non-current liabilities		3,549,146	3,187,438
Total liabilities		15,563,394	19,647,214
Net assets		34,574,945	28,830,075
Equity			
Issued capital	18	9,013,481	9,013,481
Retained earnings	19	25,561,464	19,816,594
Total equity		34,574,945	28,830,075

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

Australasian Mining Services Pty Ltd

Statement of Changes in Equity For the year ended 31 December 2022

	Issued capital	Retained earnings	Total equity
	\$	\$	\$
Balance at 1 January 2022	9,013,481	19,816,594	28,830,075
Profit after income tax expense for the year	-	10,744,870	10,744,870
Total comprehensive income for the year	-	10,744,870	10,744,870

Transactions with owners in their capacity as owners:

Dividends paid or payable (Note 26)	-	(5,000,000)	(5,000,000)
Balance at 31 December 2022	9,013,481	25,561,464	34,574,945

Balance at 1 January 2021	9,013,481	14,985,163	23,998,644
Profit after income tax expense for the year	-	9,831,431	9,831,431
Total comprehensive income for the year	-	9,831,431	9,831,431

Transactions with owners in their capacity as owners:

Dividends paid or payable (Note 26)	-	(5,000,000)	(5,000,000)
Balance at 31 December 2021	9,013,481	19,816,594	28,830,075

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

Australasian Mining Services Pty Ltd

Statement of Cash Flows For the year ended 31 December 2022

	31 December 2022 \$	31 December 2021 \$
Cash flows from operating activities		
Receipts from customers	74,680,353	60,483,893
Payments to suppliers and employees	(63,157,031)	(50,995,237)
Interest received	7,818	1,634
Interest paid	(160,048)	(178,713)
Taxes paid	(4,837,152)	(4,060,787)
Net cash flows provided by operating activities	6,533,940	5,250,790
Cash flows from investing activities		
Payments for plant and equipment	(544,626)	(505,123)
Payments for intangibles	(7,165)	(2,324)
Proceeds from sale of plant and equipment	110,000	36,182
Net cash flows used in investing activities	(441,791)	(471,265)
Cash flows from financing activities		
Payment of dividends	(5,000,000)	(5,000,000)
Proceeds from borrowings	334,449	194,720
Repayment of borrowings	(128,023)	(45,317)
Repayment of lease liabilities	(411,159)	(336,453)
Net cash flows used in financing activities	(5,204,733)	(5,187,050)
Net increase/(decrease) in cash and cash equivalents	887,416	(407,525)
Cash and cash equivalents at beginning of year	8,214,324	8,621,849
Cash and cash equivalents at end of year	8 9,101,740	8,214,324

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

Australasian Mining Services Pty Ltd
Notes to the financial statements
31 December 2022

1. General information

Australasian Mining Services Pty Ltd (the "company") is a company limited by shares, incorporated and domiciled in Australia.

The registered office and principal place of business is at 303 Berkshire Road, Forrestfield WA 6058.

The financial statements cover Australasian Mining Services Pty Ltd as an individual entity. The financial statements are presented in Australian dollars, which is the company's functional and presentation currency.

2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New, revised or amending Accounting Standards and Interpretations adopted

The company has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the company.

Basis of preparation

These general purpose financial statements have been prepared in accordance with the Australian Accounting Standards - Simplified Disclosures issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities.

Historical cost convention

The financial statements have been prepared under the historical cost convention.

Critical accounting 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 company'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.

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

Australasian Mining Services Pty Ltd
Notes to the financial statements
31 December 2022

2. Significant accounting policies (cont'd)

Revenue recognition

Revenue is recognised as follows:

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the company is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the company: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

Sale of goods

Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

Interest

Interest revenue is recognised as interest accrues.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Australasian Mining Services Pty Ltd
Notes to the financial statements
31 December 2022

2. Significant accounting policies (cont'd)

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the company's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the company's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The company has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Inventories

Inventories are valued at the lower of cost and net realisable value. Cost of purchased inventory is determined on the basis of weighted average costs. Cost of manufactured and work in progress stock includes direct materials, direct labour, and an appropriate proportion of variable and fixed factory overhead expenditure directly related to production. These costs are assigned to all items of inventory on a standard cost basis.

Stock in transit is stated at the lower of cost and net realisable value. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Australasian Mining Services Pty Ltd
Notes to the financial statements
31 December 2022

2. Significant accounting policies (cont'd)

Property, plant and equipment

Property, plant and equipment are measured on the cost basis less where applicable, any accumulated depreciation and impairment losses. The carrying amount of property, plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from those assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the asset's employment and subsequent disposal. The expected net cash flows have not been discounted to present values in determining recoverable amounts.

The depreciable amount of all property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives to the company commencing from the time the asset is held ready for use.

The useful lives of property, plant and equipment have been estimated to be:

Electrical equipment	5 years
Machinery	10 years
Leasehold improvements	3-5 years
Motor vehicles	4 years
Other plant and equipment	10 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements and plant and equipment under lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of plant and equipment is derecognised upon disposal or when there is no future economic benefit to the company. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

Intangible assets

Intangible assets acquired separately are initially recognised at cost. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Software

Significant costs associated with software are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 5 years.

Australasian Mining Services Pty Ltd
Notes to the financial statements
31 December 2022

2. Significant accounting policies (cont'd)

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the company expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The company has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other payables

These amounts represent liabilities for goods and services provided to the company prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the company's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Australasian Mining Services Pty Ltd
Notes to the financial statements
31 December 2022

2. Significant accounting policies (cont'd)

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are recognised in non-current liabilities, provided there is an unconditional right to defer settlement of the liability. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

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.

Dividends

Dividends are recognised when declared during the financial year and no longer at the discretion of the company.

Goods and Services Tax ('GST') and other similar taxes

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

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

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

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Australasian Mining Services Pty Ltd
Notes to the financial statements
31 December 2022

2. Significant accounting policies (cont'd)

Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless, an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the company has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

Financial assets at fair value through profit or loss

Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income include equity investments which the company intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition.

Impairment of financial assets

The company recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the company's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets measured at fair value through other comprehensive income, the loss allowance is recognised within other comprehensive income. In all other cases, the loss allowance is recognised in profit or loss.

Provisions

Provisions are recognised when the company has a present (legal or constructive obligation), as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

Australasian Mining Services Pty Ltd
Notes to the financial statements
31 December 2022

3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses.

Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions in these financial statements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed below.

Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates.

Provision for impairment of inventories

The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence.

4. Revenue

	31 December 2022	31 December 2021
	\$	\$
<i>Revenue from contracts with customers</i>		
Sale of goods – mining equipment	75,439,632	63,391,399
	<u>75,439,632</u>	<u>63,391,399</u>

Disaggregation of revenue

The disaggregation of revenue from contracts with customers is as follows:

	31 December 2022	31 December 2021
	\$	\$
<i>Geographical regions</i>		
Australia	73,090,765	61,933,480
USA	95,505	587,863
New Zealand	-	6,789
Rest of the World	2,253,362	863,267
	<u>75,439,632</u>	<u>63,391,399</u>
<i>Timing of revenue recognition</i>		
Goods transferred at a point in time	<u>75,439,632</u>	<u>63,391,399</u>

Australasian Mining Services Pty Ltd
Notes to the financial statements
31 December 2022

5. Other income

	31 December 2022	31 December 2021
	\$	\$
Interest received	7,818	1,634
Other income	35,035	30,996
Gain on disposal of property, plant and equipment	101,232	27,834
	<u>144,085</u>	<u>60,464</u>

6. Expenses

31 December 2022	31 December 2021
\$	\$

Profit before income tax includes the following specific expenses:

<i>Cost of sales</i>		
Cost of sales	<u>52,088,224</u>	<u>42,230,275</u>
<i>Finance costs</i>		
Interest and finance charges on borrowings	17,857	6,490
Interest and finance charges on lease liabilities	<u>160,047</u>	<u>69,083</u>
	<u>177,904</u>	<u>75,573</u>
<i>Net foreign exchange loss</i>		
Net foreign exchange loss	<u>213,383</u>	<u>153,519</u>
<i>Leases</i>		
Short-term and low-value assets lease payments	<u>122,629</u>	<u>58,324</u>
<i>Superannuation expense</i>		
Defined contribution superannuation expense	<u>400,600</u>	<u>346,511</u>
<i>Impairment of assets</i>		
Inventories	<u>12,127</u>	<u>27,650</u>

Australasian Mining Services Pty Ltd
Notes to the financial statements
31 December 2022

7. Income tax expense

	31 December 2022 \$	31 December 2021 \$
<i>Income tax expense</i>		
Current tax	4,595,866	4,155,957
Deferred tax - origination and reversal of temporary differences	55,261	153,051
Adjustment recognised for prior periods	(9,242)	(84,604)
	<hr/>	<hr/>
Aggregate income tax expense	4,641,885	4,224,404
	<hr/>	<hr/>
Deferred tax included in income tax expense comprises:		
Decrease in deferred tax assets	(43,997)	65,856
Increase in deferred tax liabilities	99,258	87,195
	<hr/>	<hr/>
Deferred tax - origination and reversal of temporary differences	55,261	153,051
	<hr/>	<hr/>
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Profit before income tax expense	15,386,755	14,055,835
	<hr/>	<hr/>
Tax at the statutory tax rate of 30%	4,616,027	4,216,751
	<hr/>	<hr/>
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Entertainment expenses	30,339	24,244
Net unrealised foreign exchange movements	(5,867)	-
Non-deductible donations	3,300	-
	<hr/>	<hr/>
	4,643,799	4,240,995
	<hr/>	<hr/>
Adjustment recognised for prior periods	(1,914)	(16,591)
	<hr/>	<hr/>
Income tax expense	4,641,885	4,224,404
	<hr/>	<hr/>

Australasian Mining Services Pty Ltd
Notes to the financial statements
31 December 2022

8. Cash and cash equivalents

	31 December 2022	31 December 2021
	\$	\$
Cash at bank	9,101,527	8,214,163
Cash on hand	213	161
	<hr/>	<hr/>
	9,101,740	8,214,324
	<hr/>	<hr/>

9. Trade and other receivables

	31 December 2022	31 December 2021
	\$	\$
Trade receivable	11,670,244	10,662,888
Prepayments and other receivables	864,258	1,120,151
	<hr/>	<hr/>
	12,534,502	11,783,039
	<hr/>	<hr/>

10. Inventories

	31 December 2022	31 December 2021
	\$	\$
Inventories	24,453,365	24,832,648
Provision for impairment	(729,415)	(736,978)
	<hr/>	<hr/>
	23,723,950	24,095,670
	<hr/>	<hr/>

Australasian Mining Services Pty Ltd
Notes to the financial statements
31 December 2022

11. Plant and equipment

	31 December 2022	31 December 2021
	\$	\$
Electrical equipment		
At cost	164,423	146,918
Accumulated depreciation	(95,349)	(76,395)
	<u>69,074</u>	<u>70,523</u>
Machinery		
At cost	182,760	181,065
Accumulated depreciation	(88,809)	(70,622)
	<u>93,951</u>	<u>110,443</u>
Other plant and equipment		
At cost	585,237	496,816
Accumulated depreciation	(152,965)	(98,975)
	<u>432,272</u>	<u>397,841</u>
Motor vehicles		
At cost	1,366,809	1,056,193
Accumulated depreciation	(846,456)	(754,073)
	<u>520,353</u>	<u>302,120</u>
Leasehold improvements		
At cost	45,160	32,750
Accumulated depreciation	(28,423)	(17,900)
	<u>16,737</u>	<u>14,850</u>
Total plant and equipment	<u>1,132,387</u>	<u>895,777</u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial year are set out below:

	31 December 2022	31 December 2021
	\$	\$
Movement in carrying amount:		
Carrying amount at 1 January	895,777	669,691
Additions	544,625	505,123
Disposals	(8,768)	(8,348)
Depreciation expense	(299,247)	(270,689)
Carrying amount at 31 December	<u>1,132,387</u>	<u>895,777</u>

Australasian Mining Services Pty Ltd
Notes to the financial statements
31 December 2022

12. Intangibles

	31 December 2022	31 December 2021
	\$	\$
Computer software		
At cost	97,062	89,897
Accumulated amortisation	(82,595)	(72,283)
	<u>14,467</u>	<u>17,614</u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial year are set out below:

	31 December 2022	31 December 2021
	\$	\$
Carrying amount at 1 January	17,614	30,222
Additions	7,165	2,324
Amortisation expense	(10,312)	(14,932)
Carrying amount at 31 December	<u>14,467</u>	<u>17,614</u>

13. Deferred tax assets

31 December 2022	31 December 2021
\$	\$

Deferred tax asset comprises temporary differences attributable to:

Amounts recognised in profit or loss:

Inventories	218,825	221,093
Provision for employee benefits	109,391	80,815
Leases	53,563	24,366
Accrued expenses	23,259	27,722
Others	754	7,799
Deferred tax asset	<u>405,792</u>	<u>361,795</u>

Movements:

Opening balance	361,795	427,651
Expensed/(Credited) to profit or loss	43,997	(65,856)
Closing balance	<u>405,792</u>	<u>361,795</u>

Australasian Mining Services Pty Ltd
Notes to the financial statements
31 December 2022

14. Right-of-use assets

	31 December 2022	31 December 2021
	\$	\$
Cost		
Balance at 1 January	3,544,466	3,127,883
Additions during the year	584,761	3,153,481
Disposal during the year	-	(2,736,898)
	<hr/>	<hr/>
Balance at 31 December	4,129,227	3,544,466
Accumulated depreciation		
Balance at 1 January	435,396	430,636
Depreciation for the year	508,480	448,892
Disposal during the year	-	(444,132)
	<hr/>	<hr/>
Balance at 31 December	943,876	435,396
Carrying amount at 1 January	3,109,070	2,697,247
Carrying amount at 31 December	<hr/>	<hr/>
	3,185,351	3,109,070

The company leases land and buildings for its offices, warehouses under agreements of between one to five years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

One lease for office is on monthly basis. This lease is short-term, so have been expensed as incurred and not capitalised as right-of-use assets.

15. Trade and other payables

	31 December 2022	31 December 2021
	\$	\$
Trade payables	10,339,660	14,854,929
Other payables and accrued expenses*	456,826	301,829
	<hr/>	<hr/>
	10,796,486	15,156,758

*Include \$75,000 (2021: \$115,000) bonus accrued to Andrew Andreou for the year ended 31 December 2022.

Australasian Mining Services Pty Ltd
Notes to the financial statements
31 December 2022

16. Lease liabilities

	31 December 2022	31 December 2021
	\$	\$
Current	471,609	399,734
Non-current	2,892,284	2,790,557
	<u>3,363,893</u>	<u>3,190,291</u>
	31 December 2022	31 December 2021
	\$	\$
<i>Future lease payments</i>		
Future lease payments are due as follows:		
Within one year	626,689	551,440
One to five years	2,239,773	2,529,634
More than five years	1,099,495	672,423
	<u>3,965,957</u>	<u>3,753,497</u>

17. Deferred tax liabilities

	31 December 2022	31 December 2021
	\$	\$
<i>Deferred tax liability comprises temporary differences attributable to:</i>		
Amounts recognised in profit or loss:		
Plant and equipment	263,983	183,244
Other current asset	33,094	14,575
	<u>297,077</u>	<u>197,819</u>
<i>Movements:</i>		
Opening balance	197,819	110,624
Expensed to profit or loss (Note 7)	99,258	87,195
	<u>297,077</u>	<u>197,819</u>
Closing balance		

Australasian Mining Services Pty Ltd
Notes to the financial statements
31 December 2022

18. Issue capital

	2022 Shares	2022 \$	2021 Shares	2021 \$
Ordinary shares - fully paid	100,000	9,013,481	100,000	9,013,481

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

19. Retained earnings

	31 December 2022 \$	31 December 2021 \$
Retained earnings at the beginning of the financial year	19,816,594	14,985,163
Profit after income tax expense for the year	10,744,870	9,831,431
Dividend paid	(5,000,000)	(5,000,000)
Retained earnings at the end of the financial year	25,561,464	19,816,594

20. Provision for income tax

	31 December 2022 \$	31 December 2021 \$
Provision for income tax	356,202	606,729

21. Provision for employee entitlements

	31 December 2022 \$	31 December 2021 \$
Current	221,900	216,035
Non-current	95,175	53,347

22. Borrowings

	31 December 2022 \$	31 December 2021 \$
Current – Chattel mortgages	168,051	80,520
Non-current – Chattel mortgages	264,610	145,715

The chattel mortgages represents the loan used to acquire motor vehicles.

Assets pledged as security

The chattel mortgages are secured by mortgages over the company's motor vehicle.

The chattel mortgages are principal and interest payment loan, repayable in monthly instalments and due to mature in 2025. The fixed interest rate is 4.19% (2021: 3.56%).

Australasian Mining Services Pty Ltd
Notes to the financial statements
31 December 2022

23. Key management personnel disclosures

Compensation

The aggregate compensation made to directors and other members of key management personnel of the company is set out below:

	31 December 2022 \$	31 December 2021 \$
Aggregate compensation	<u>1,204,533</u>	<u>1,054,948</u>

24. Contingent assets and contingent liabilities

The company has no contingent liabilities and contingent assets as at 31 December 2022 (2021: Nil).

25. Remuneration of auditors

During the financial year, the following fees were paid or payable for services provided by RSM Australia Partners, the auditor of the company:

	31 December 2022 \$	31 December 2021 \$
<i>Audit services</i>		
Audit of the financial statements	<u>64,175</u>	<u>62,500</u>

26. Dividends

Dividends

Dividends paid or payable during the financial year were as follows:

	31 December 2022 \$	31 December 2021 \$
Dividend declared and paid (2021: dividend was declared during the year ended 31 December 2020 and paid during the year 31 December 2021)	<u>5,000,000</u>	<u>5,000,000</u>

Franking credits

	31 December 2022 \$	31 December 2021 \$
Franking credits available for subsequent financial years based on a tax rate of 30%	<u>11,610,427</u>	<u>8,916,132</u>

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

- franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date;
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date; and
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

Australasian Mining Services Pty Ltd
Notes to the financial statements
31 December 2022

27. Related party transactions

Parent entity

Shareate Tools Ltd is the ultimate parent entity.

Key management personnel

Disclosures relating to key management personnel are set out in Note 23.

Transactions with related parties

The following transactions occurred with related parties:

	31 December 2022	31 December 2021
	\$	\$
Purchase of goods from:		
- Ultimate parent	9,040,751	11,407,188
- Subsidiary of ultimate parent – Suzhou Shareate Trade Co Ltd	584,083	1,413,656
Payment of office rent to director-related entity	499,197	465,702
Payment received for financial service provided by immediate parent	21,913	19,391
Sale of goods to subsidiary of immediate parent – American Mining Services LLC	95,505	-

Receivable from and payable to related parties

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	31 December 2022
	\$
Current payables:	
Trade payables to ultimate parent	3,032,751
Trade payables to subsidiary of ultimate parent – Suzhou Shareate Trade Co Ltd	44,219
Accrual	75,000

Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date.

Terms and conditions

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

28. Commitments

The company had no commitments as at 31 December 2022 and 31 December 2021.

Australasian Mining Services Pty Ltd
Notes to the financial statements
31 December 2022

29. Events subsequent to reporting date

On 1 February 2023, a dividend of \$6,500,000 in total was declared and fully paid from the retained profits of the company by cash, in satisfaction of part of the dividend policy agreed by the shareholders of the company under the Shareholders agreement.

Other than the above, no other matter or circumstance has arisen since 31 December 2022 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

Australasian Mining Services Pty Ltd
ABN 83 612 994 822

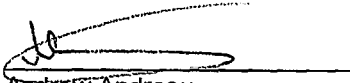
DIRECTORS' DECLARATION

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Australian Accounting Standards - Simplified Disclosures, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the company's financial position as at 31 December 2022 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors



Andrew Andreou
Director

Dated at Perth the 15th day of March 2023

RSM Australia Partners

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**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
AUSTRALASIAN MINING SERVICES PTY LTD**

Opinion

We have audited the financial report of Australasian Mining Services Pty Ltd (the Company), which comprises the statement of financial position as at 31 December 2022, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- (i) giving a true and fair view of the Company's financial position as at 31 December 2022 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards – Simplified Disclosures under *AASB 1060 General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (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 confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

RSM Australia Partners is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

RSM Australia Partners ABN 36 965 185 036

Liability limited by a scheme approved under Professional Standards Legislation

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the financial report and the auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards – Simplified Disclosures under *AASB 1060 General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related 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.

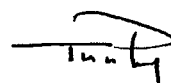
Auditor's Responsibilities for the Audit of the Financial Report

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.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our auditor's report.

A handwritten signature in dark ink, appearing to read 'RSM'.

RSM AUSTRALIA PARTNERS

A handwritten signature in dark ink, appearing to read 'Tutu Phong'.

TUTU PHONG
Partner

Perth, WA
Dated: 15 March 2023