



30 September 2021

## ASX Announcement

### Financial Report – Year Ended 30 June 2021

GWR Group Limited (“GWR” or the “Company”) encloses its financial report for the year ended 30 June 2021.

Yours faithfully

A handwritten signature in blue ink, appearing to read "Mark Pitts".

**Mark Pitts**  
Company Secretary

*This announcement has been authorised for release by Mr Mark Pitts, Company Secretary, GWR Group Limited.*



**GWR GROUP LIMITED**  
**2021 FINANCIAL REPORT**

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# Directors' Report

Your directors submit their report for GWR Group Limited ('the Company' or 'the Parent') and for the Group, being the Company and its controlled entities, for the financial year ended 30 June 2021.

## Directors

The following persons were Directors of the Company during the financial year and up to the date of this report. Directors were in office for this entire period unless otherwise stated.

### Names, qualifications, experience and special responsibilities:



#### **Gary Lyons - Non-executive Chairman**

Mr Lyons is a successful and well respected Perth based businessman; being a shareholder and the Managing Director of the Heiniger Group's Australasian operations for the last 33 years.

Mr Lyons was appointed a director on 2 June 2010 and elected Chairman on 8 February 2012.

Mr Lyons is also Chairman of the GWR Executive Committee, and is a member of both the GWR Audit & Risk Management Committee and the GWR Remuneration Committee.

*Present ASX company directorships: eMetals Limited (formerly Corizon Limited), Tungsten Mining NL and Western Gold Resources Limited*

*Previous ASX company directorships (last 3 years): Nil*



#### **Tan Sri Dato' Tien Seng Law - Non-executive Deputy Chairman**

Mr Law is a highly experienced investor in iron ore companies and was previously the Deputy Chairman and major shareholder of Midwest Corporation Limited. Mr Law also has extensive business interests and investments in China. Mr Law is currently the executive Chairman of T.S. Law Holding Sdn Bhd, an investment holding company in Malaysia, covering a diverse range of industries. These companies include those with activities in steel making and distribution, property investment and development and food and beverage.

Mr Law is the appointed Malaysian Business Advisor of Jinan Group of Companies of the Shandong Province, the People's Republic of China. He has a substantial interest in Ji Kang Dimensi Sdn Bhd, a company within the Jinan Group of Companies operating a steel plates manufacturing plant in Malaysia.

Mr Law is a substantial stakeholder and Deputy Chairman of Hiap Teck Venture Berhad, a Malaysian listed company engaged in distribution and trading of steel related products and as well as manufacturing of steel pipes.

Mr Law through Hiap Teck Venture Bhd, entered into a joint venture with Shougang Group of China (JV company name Eastern Steel Sdn Bhd), to build a 1.5 million MT of production capacity Integrated Steel Mill located on the east coast of Peninsula Malaysia.

Mr Law was appointed a director on 22 July 2010 and elected Deputy Chairman on 8 February 2012.

*Present ASX company directorships: Tungsten Mining NL*

*Previous ASX company directorships (last 3 years): Nil*

# Directors' Report



## **Michael Wilson - Executive Director**

Mr Wilson is an exploration geologist with more than 25 years' experience in Australia and South East Asia.

Mr Wilson is a foundation Director of GWR and has a long association with the Wiluna West Project. He was instrumental in consolidating the ownership of the tenement package and bringing that tenement package to market.

Mr Wilson is also very well respected by the Aboriginal communities in and around Wiluna and takes a leading role in negotiating and resolving Heritage and Native Title matters.

*Present ASX company directorships: Nil*

*Previous ASX company directorships (last 3 years): Nil*



## **Datuk Chin An Lau - Non-executive Director**

Datuk Lau is a qualified lawyer and owner of the legal practice Lau Moghan & Ee. Datuk Lau is also a director of LTS Properties (M) Sdn Bhd and LTS Capital Sdn Bhd which are both property development companies.

Datuk Lau is Chairman of both the GWR Remuneration Committee and the GWR Audit & Risk Management Committee.

*Present ASX company directorships: Nil*

*Previous ASX company directorships (last 3 years): Nil*



## **Kong Leng (Jimmy) Lee - Non-executive Director**

Mr Lee is a mining engineer with more than 30 years of industry experience and is a member of AusIMM. He has successfully worked with a number of major Australian mining companies and has held senior positions with Hamersley Iron Ltd, Dominion Mining Ltd, Christmas Island Phosphates, North Ltd and Carey Mining Ltd.

Mr Lee provides mining and corporate advisory services to the mining industry and was formerly a founding director of Terrain Minerals Limited. In addition, he has a successful track record with contract negotiations and company investment strategies.

Mr Lee is a member of the GWR Remuneration Committee and the GWR Audit & Risk Management Committee.

*Present ASX company directorships: Tungsten Mining NL and Excelsior Gold Limited*

*Previous ASX company directorships (last 3 years): eMetals Limited*

# Directors' Report



## **Teck Siong Wong - Alternate Director for Mr Law**

Mr Wong has considerable international business experience having worked in Hong Kong, the United Kingdom and now in Malaysia and Indonesia after graduating with a Bachelor of Business degree from Swinburne University (Melbourne).

Mr Wong is involved with iron ore mining industry in Indonesia. He was previously involved in the sales and export of steel related products and was a director of a retail chain business in the United Kingdom, previously known as JW Carpenter Ltd. Mr Wong was working in the OEM plastic manufacturing industry in Hong Kong prior to taking up a position in the steel industry in Malaysia.

*Present ASX company directorships: eMetals Limited (formerly Corizon Limited), Tungsten Mining NL and Western Gold Resources Limited  
Previous ASX company directorships (last 3 years): Nil*

## **Former directors**

No former directors held office during the financial year or up to the date of this report.

## **Company Secretaries**

### **Mark Pitts**

Mr Pitts is a Fellow of the Institute of Chartered Accountants with more than 25 years' experience in statutory reporting and business administration. He has been directly involved with, and consulted to a number of public companies holding senior financial management positions. He is a Partner in the corporate advisory firm Endeavour Corporate providing company secretarial support; corporate and compliance advice to a number of ASX listed public companies.

Mr Pitts was appointed Company Secretary on 31 August 2012.

### **Simon Borck (resigned 23 July 2020)**

Mr Borck was appointed as joint Company Secretary on 8 November 2016 and resigned on 23 July 2020.

## **Dividends**

No amounts have been paid or declared by way of dividend by the Company since the end of the previous financial period and up until the date of this report. The directors do not recommend the payment of any dividend for the financial year ended 30 June 2021.

## **Principal activities**

The principal activities of the Company and its subsidiaries during the course of the year was the C4 iron ore mining project and the continued exploration activities on the Group's tenement portfolio.

## **Operating and financial overview**

### **Group overview**

During the 2021 financial year, the Group's focus has been on Phase 1 of the C4 DSO Iron Ore Project in Western Australia. The Group also completed the initial public offering of shares in its wholly-owned subsidiary, Western Gold Resources Limited, immediately after the end of the financial period. The Group's interest in this subsidiary was distributed to existing shareholders of the Group. Western Gold Resources Limited holds the gold interests in the Wiluna West project.

The Directors and senior management continued to agree to receive salary and fees in a combination of cash and equity to preserve cash, this resulted in 2,006,891 (2020: 1,178,781) ordinary shares being issued to Directors and senior management to satisfy \$193,698 (2020: \$127,500) in accrued salary and fees.

# Directors' Report

## Business strategies and prospects for future financial years

The Board intends to continue to progress a strategy of developing GWR into a resource house with a number of projects across a selection of commodities at different stages of their "life cycle". GWR continues to assess a number of opportunities at both a project and corporate level, with a preference for advanced exploration projects that have the potential to generate cash flow in the short to medium term.

## Management and Board changes

On 23 July 2020, Mr Simon Borck resigned as joint company secretary, and on 31 January 2021, Mr Adrian Costello resigned as General Manager.

Other than noted above, there were no changes to the management and Board during the year and to date of reporting.

## Operating results for the year

The consolidated operating result was a profit after income tax of \$7,468,510 (2020: loss of \$2,200,899) for the financial year. The result for the year includes an impairment expense of \$7,912,031 (2020: nil) relating to the C4 Iron Ore project, which was recognised as a result of the suspension of operations at the C4 Iron Ore Project due to the volatile iron ore price since the end of the financial year.

Operating revenue for the financial year increased significantly to \$71,533,770 (2020: nil) as a result of the commencement of mining operations at the Group's wholly-owned C4 direct-shipping iron ore project. Expenditure for the financial year included mining operating expenses of \$53,472,833, exploration expenses of \$554,911 (2020: \$1,651,539) and employee expenses of \$660,786 (2020: \$726,056). The comparative period also included an equity accounted investment loss of \$1,006,583.

Net cash provided by operating activities for the financial year was \$26,149,555 (2020: net cash used in operating activities of \$2,292,009) and cash outflows from investing activities were \$7,634,700 (2020: inflows of \$772,153).

Cash and cash equivalents at 30 June 2021 was \$23,713,605 (2020: \$1,381,137).

| Shareholders returns      | 2021  | 2020    | 2019    | 2018    | 2017    |
|---------------------------|-------|---------|---------|---------|---------|
| Net profit/(loss) (\$000) | 7,469 | (2,201) | (3,067) | (3,878) | (3,181) |
| Basic EPS (cents)         | 2.52  | (0.87)  | (1.21)  | (1.56)  | (1.30)  |
| Return on assets (%)      | 15.33 | (21.86) | (25.08) | (25.88) | (17.59) |
| Return on equity (%)      | 33.29 | (23.99) | (27.26) | (27.45) | (18.44) |

## Review of financial condition

### *Liquidity and capital resources*

The Group's principal source of liquidity as at 30 June 2021 is cash and cash equivalents of \$23,713,605 (2020: \$1,381,137).

### **Shares issued during the year**

As a measure to preserve cash, Directors and senior management agreed to receive their fees and salary in a combination of cash and equity. Pursuant to shareholder approval at the Company's 2020 Annual General Meeting, this resulted in 2,006,891 (2020: 1,178,781) ordinary shares with a weighted average fair value of \$0.0965 (2020: \$0.1082) per share being issued to Directors and senior management to satisfy \$193,698 (2020: \$127,500) in accrued salary and fees.

Additionally, 18,333,333 shares were issued under a placement on 7 October 2020 at an issue price of \$0.18 per share with free attaching quoted options (GWROA), raising \$3,300,000 before costs.

Finally, during the year, a total of 27,750,000 unquoted options were exercised by directors, employees and former employees, at an average exercise price of \$0.054. This raised a total of \$1,498,500 before costs.

There were no other shares issued during the previous year.

# Directors' Report

## Risk management

The Board as a whole is ultimately responsible for establishing and reviewing the Company's policies on risk profile, oversight and management and satisfying itself that management has developed and implemented a sound system of risk management and internal control.

The Board has established an Audit and Risk Management Committee pursuant to an Audit and Risk Management Committee Charter whose mandate includes overseeing the implementation of the Company's risk management program and reporting to the Board as to the effectiveness of the Company's management of its material risks.

The Company's risk management program is implemented by its Chief Executive Officer or equivalent under the direction of the Audit and Risk Management Committee as follows:

- ensuring that matters affecting the goals, objectives and performance of the Company and the safety of its stakeholders are identified and assessed by an operational risk management framework in accordance with industry accepted standards;
- obtaining and regularly reviewing insurance for the Company relevant to managing material risks;
- implementing and maintaining internal control systems which will be identified in conjunction with the external auditors;
- monitoring and verifying the Company's compliance with record keeping and operating requirements, including all requirements of law including indigenous and community rights and environmental obligations;
- minimising the potential for loss or damage resulting from risks affecting the Company; and
- the Audit & Risk Management Committee shall report to the Board at least twice a year as to the effectiveness of the Company's management of its material risks.

## Impact of COVID-19 Pandemic

The measures put in place by the Board during the year ended 30 June 2020 have remained as such during the current financial year, including the reduction of cash compensation. The Group continues to monitor the current status of the pandemic regularly, and adapt and change its operations to suit. While the Board acknowledges the continuing uncertainty surrounding the pandemic, the Group's operations have now fully resumed.

## Significant changes in the state of affairs

During the financial year the Group commenced mining operations on Stage 1 of its wholly-owned C4 iron ore project. Stage 1 relates to the mining, processing and shipping of the first 1 million tonnes of ore from the C4 project, and is being completed in conjunction with mining alliance partner Pilbara Resource Group ("PRG"). This alliance entitles PRG to a share of the net cash flows of the mining operations. These operations were suspended on 19 September 2021 as noted below.

## Significant events after the balance date

On 14 July 2021, Macarthur Minerals Limited (ASX:MIO) and the Company signed an agreement to facilitate the mine-gate sale of up to 400,000 tonnes per annum of Direct Shipping Ore ("DSO"), for an initial period of 2 years, with the ability to extend the agreement by an additional 2 years. The sale price will be dependent on prevailing market prices at the date of sale.

On 16 July 2021, the Group disposed of its interest in Western Gold Resources Limited, by way of an in-specie distribution to the Company's shareholders. Refer to Note 33 of the financial report for full details.

On 22 September 2021, the Group announced that it had suspended mining operations at the C4 Iron Ore project, in response to the volatile iron ore prices. The Group intends to reassess this suspension after a period of 30 days, after monitoring this volatility. In response to this, the Group has recognised impairment provisions against the values of inventories and mine properties held at 30 June 2021.

Other than the above, there has not arisen in the interval between the end of the financial period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group in the future financial year.

## Likely developments and expected results

The Group has suspended mining operations at the C4 project on 19 September 2021 in response to the volatility surrounding the current iron ore price. The Group intends to review this suspension regularly, while continuing with its other mineral exploration and investment activities within the exploration and mining sector.



# Directors' Report

## Environmental regulation and performance

The Group's current development, evaluation and exploration activities have been undertaken under approved Programmes of Work on granted mining tenements in accordance with environmental regulations under both Commonwealth and State legislation.

As stated in the Group's Environmental policy, it is committed to environmental sustainability, recognising our obligations to practice good environmental 'stewardship' of the tenements on which we operate. Our activities are conducted in a manner that minimises our environmental 'footprint' as much as possible, and are conducted strictly in accordance with all necessary permits and approvals from regulators. The Company has employed environmental consultants to ensure it achieves its objectives by monitoring the Group's environmental exposures and compliance with environmental regulations. Results are reported to management and to the Board on a regular basis. There have been no significant known breaches of the Group's environmental regulations to which it is subject to.

## Share options

At the date of this report, there were 12,833,333 (2020: 27,750,000) unissued shares of the Company under option. Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company or of any related body corporate. During the year, 27,750,000 unquoted shares were exercised at an average exercise price of \$0.054 each (2020: Nil).

Also during the year the Group issued 12,833,333 quoted (GWROA) options, exercisable at \$0.40 on or before 1 October 2022. 4,583,333 were issued as free-attaching options to the placement of 18,333,333 shares completed on 7 October 2020 and 8,250,000 were issued under a capital raising mandate with the lead manager of the placement.

During the year 10,000,000 options exercisable at \$0.25 on or before 1 July 2024 were issued to the Directors of the Company's subsidiary, Western Gold Resources Limited ("WGR"), in conjunction with the demerger and initial public offering of shares in WGR. These options had a fair value of \$0.10 per share.

## Indemnification and insurance of directors and officers

The Company has made an agreement indemnifying all the directors and officers against all losses or liabilities incurred by each director and officer in their capacity as directors and officers of the Company to the extent permitted under the Corporations Act 2001. During the year the Company paid insurance premiums to insure directors and officers against certain liabilities arising out of their conduct while acting as an officer of the Company. Under the terms and conditions of the insurance contract, the nature of the liabilities insured against and the premium paid cannot be disclosed. Therefore, the amounts relating to these premiums paid have not been disclosed in table 1 in the remuneration report.

## Indemnification and insurance of auditors

The Company has not, during or since the end of the financial year, indemnified nor agreed to indemnify the auditors 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.

## Directors' meetings

The following table sets out the number of directors' meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or committee member). During the financial year the Company held 4 board meetings and 2 audit and risk management committee meetings. There were no meetings of the remuneration committee held during the year.

|                           | Board meetings            |                 | Committee meetings |                           |                 |   |
|---------------------------|---------------------------|-----------------|--------------------|---------------------------|-----------------|---|
|                           | Number Eligible to attend | Number Attended | Audit              |                           | Remuneration    |   |
| Number Eligible to attend |                           |                 | Number Attended    | Number Eligible to attend | Number Attended |   |
| G Lyons                   | 4                         | 4               | 2                  | 2                         | -               | - |
| T S Law <sup>1</sup>      | 4                         | 4               | -                  | -                         | -               | - |
| M Wilson                  | 4                         | 4               | -                  | -                         | -               | - |
| C A Lau                   | 4                         | 4               | 2                  | 2                         | -               | - |
| K L Lee                   | 4                         | 4               | 2                  | 2                         | -               | - |

<sup>1</sup> Mr Law's alternate director, Mr Teck Wong attended all Board meetings at which Mr Law was unable to attend.

# Directors' Report

## Committee membership

As at the date of this report, the Company had an Audit & Risk Management Committee and a Remuneration Committee. Members acting on the Committees during the year were:

| Audit & Risk Management Committee | Remuneration Committee |
|-----------------------------------|------------------------|
| C A Lau (Chairman)                | C A Lau (Chairman)     |
| G Lyons                           | G Lyons                |
| K L Lee                           | K L Lee                |

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

## Non Audit Services

During the year, the Group's auditors, Stantons International, provided non-audit services pertaining to the preparation of the Investigating Accountants Report for inclusion in the prospectus for Western Gold Resources, totalling \$10,000 (2020: No non-audit services provided). Refer Note 28 to the financial report. The Board is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

## Interests in the shares and options of the Company

As at the date of this report, the interests of the key management personnel in the shares and unlisted share options of the Company were:

| Directors               | Ordinary shares | Share Options |
|-------------------------|-----------------|---------------|
| <b>Directors</b>        |                 |               |
| G Lyons                 | 6,000,000       | -             |
| T S Law                 | 33,432,079      | -             |
| M Wilson                | 5,607,795       | -             |
| C A Lau                 | 6,765,687       | -             |
| K L Lee                 | 4,682,772       | -             |
| T S Wong                | 21,908,333      | -             |
| <b>Other executives</b> |                 |               |
| M Pitts                 | 850,000         | -             |

As at the date of this report unissued ordinary shares of the Company under unlisted options were:

|                               | Exercise price | Expiry date    | Options outstanding | Vested and exercisable |
|-------------------------------|----------------|----------------|---------------------|------------------------|
|                               | \$             |                | Number              | Number                 |
| GWROA quoted options          | 0.3762         | 1 October 2022 | 12,833,333          | 12,833,333             |
| <b>Total options on issue</b> |                |                | <b>12,833,333</b>   | <b>12,833,333</b>      |

The exercise price of these options was reduced from \$0.40 to \$0.3762 upon the effective return of capital that occurred on 16 July 2021 as a result of the in-specie distribution of shares held in Western Gold Resources Limited to shareholders.

These options do not entitle the holder to participate in any share issue of the Company or any other body corporate. The holders of options are not entitled to any voting rights until the options are exercised into ordinary shares.

## Auditor's independence

The directors received the following declaration from the auditor of the Group which is set out on page 19 below.

# Directors' Report

## Remuneration report (audited)

This remuneration report for the year ended 30 June 2021 outlines the director and executive remuneration arrangements of the Company and the Group in accordance with the requirements of the Corporations Act 2001 (the Act) and its regulations. This information has been audited as required by section 308(3C) of the Act.

The remuneration report details the remuneration arrangements for key management personnel ('KMP') who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent company.

For the purposes of this report the term 'executive' encompasses executive directors and senior executives of the Parent and the Group.

## Details of key management personnel

### Non-executive directors

|         |                 |
|---------|-----------------|
| G Lyons | Chairman        |
| TS Law  | Deputy Chairman |
| CA Lau  | Director        |
| KL Lee  | Director        |

### Executive directors

|          |                                  |
|----------|----------------------------------|
| M Wilson | Director and Exploration Manager |
|----------|----------------------------------|

### Other executives

|                 |   |
|-----------------|---|
| Adrian Costello | General Manager (resigned 31 January 2021)      |
| M Pitts         | Company Secretary                               |
| S Borck         | Joint Company Secretary (resigned 23 July 2020) |

## Remuneration committee

The Remuneration Committee is entrusted by the Board to provide appropriate guidance to the Board in relation to the following responsibilities:

- remuneration packages of senior executives (including executive directors);
- the remuneration framework for non-executive directors;
- employment incentive and equity based plans for senior executives, directors and employees generally including the appropriateness of performance hurdles and equity based incentives in the context of overall remuneration packages;
- remuneration policy generally including but not limited to fixed and performance based remuneration, non-cash remuneration including superannuation, and inclusive remuneration principles consistent with the Company's Diversity Policy; and
- retention and termination policies.

The remuneration committee assesses the appropriateness of the nature and amount of remuneration of senior executives (including executive directors) and non-executive directors on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit by balancing the Company's competing interests of attracting and retaining senior executives and directors and avoiding excessive remuneration.

The remuneration committee comprises three non-executive directors. Further information on the committee's role and responsibilities can be seen at [www.gwrgroup.com.au](http://www.gwrgroup.com.au).

# Directors' Report

## Remuneration philosophy

The performance of the Group depends upon the quality of its key personnel. To prosper, the Group must attract, motivate and retain high skilled directors and executives. Due to the nature of the Group's business activities the overall level of compensation does not focus on the earnings of the Company.

To this end, the Group embodies the following principles in its remuneration framework:

- provide competitive rewards to attract high calibre personnel; and
- link rewards to shareholder value.

## Remuneration structure

In accordance with best practice corporate governance, the structure of executive and non-executive director remuneration is separate and distinct.

### Non-executive director remuneration

#### *Objective:*

The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

#### *Structure:*

The Constitution and the ASX listing rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting of shareholders. The latest determination was at the annual general meeting held on 25 November 2010 when shareholders voted to increase the aggregate remuneration to \$500,000 per year.

Non-executive directors, excluding consulting fees are remunerated by way of fees and statutory superannuation. The fees for non-executive directors were previously set by the board at \$65,000 per annum and \$100,000 per annum for the Chairman. Fees for non-executive directors were reduced to \$55,000 per annum and \$90,000 for the Chairman with effect from 1 July 2014 as a cost saving measure.

To further preserve cash, directors have agreed that a portion of their fees be settled in cash and the remainder in equity. Such an arrangement can only be implemented with prior shareholder approval. A resolution was approved by members at the 2020 Annual General Meeting in relation to the portion of fees agreed to be taken as equity. Fees accrued in respect of the 2020/21 financial year will similarly require shareholder approval prior to issue of shares in settlement of amounts outstanding.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. The Board considers the fees paid to non-executive directors of comparable companies when undertaking the annual review process.

Non-executive directors are remunerated by way of fees and statutory superannuation but no other retirement benefits. Non-executive directors are also reimbursed for all reasonable travelling, accommodation and other expenses incurred as a consequence of their attendance at meetings of Directors and otherwise in the execution of their duties as Directors.

Non-executive directors are also paid consulting fees related to their participation in Executive Committee meetings and the provision of other services.

Non-executive directors participate in share option plans, although there are currently no such securities on issue.

No remuneration consultants were engaged for the reporting years ended 30 June 2021 and 30 June 2020.

The remuneration of non-executive directors for the reporting years ended 30 June 2021 and 30 June 2020 is detailed in Tables 1 and 2 of this Remuneration Report.

# Directors' Report

## Executive remuneration

### *Objective:*

The Company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Group so as to:

- align the interests of executives with those of shareholders; and
- ensure total remuneration is competitive by market standards.

### *Structure:*

In determining the level and make up of executive remuneration, the remuneration committee engages external consultants as needed to provide independent advice. No remuneration consultants were engaged during the year.

Remuneration consists of the following key elements:

- Fixed remuneration; and
- Variable remuneration comprising Short ('STI') and Long ('LTI') term incentives.

Directors and executives participate in share option plans, although there are currently no such securities on issue.

The proportion of fixed remuneration and variable remuneration of Directors and executives for the reporting years ended 30 June 2021 and 30 June 2020 is set out on Tables 1 and 2 of this Remuneration Report.

## Fixed remuneration

### *Objective:*

The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market.

Fixed remuneration is reviewed annually by the remuneration committee and the process consists of individual performance, relative comparative remuneration in the market and, where appropriate, external advice.

### *Structure:*

Executives are given the opportunity to receive their fixed (primary) remuneration in a variety of forms including cash and fringe benefits such as motor vehicles. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Group. Presently, executives fixed remuneration comprises only payment of salary and statutory superannuation.

As with the Non-Executive Directors, the Executives of the Company also agreed that a portion of their fees be settled in cash and the remainder in equity. Such an arrangement can only be implemented with prior shareholder approval. A resolution was approved by members at the 2020 Annual General Meeting in relation to the portion of fees agreed to be taken as equity. Fees accrued in respect of the 2020/21 financial year will similarly require shareholder approval prior to issue of shares in settlement of amounts outstanding.

The fixed remuneration component of Directors and executives for the reporting years ended 30 June 2021 and 30 June 2020 is set out on Tables 1 and 2 of this Remuneration Report.

## Variable remuneration — short term incentive (STI)

### *Objective:*

The objective of the STI program is to link the achievement of the Group's operational targets with the remuneration received by the executives charged with meeting those targets. The total potential STI available is set at a level so as to provide sufficient incentive to the executive to achieve the operational targets and such that the cost to the Group is reasonable in the circumstances.

### *Structure:*

Actual STI payments granted to each executive depends on the remuneration committee's assessment of the individual's performance and the performance of their business unit. The aggregate of annual STI payments available for executives across the Group is subject to the approval of the remuneration committee.

# Directors' Report

Other than pursuant to employment agreement with the General Manager, who resigned on 31 January 2021 and was entitled to an annual bonus up to \$30,000, inclusive of superannuation contributions, that was subject to the achievement of certain key performance indicators determined at the absolute and sole discretion of the Company, there are no other cash bonus or other STI payments made or accrued in the current and prior financial years.

## **Variable remuneration — long term incentive (LTI)**

### *Objective:*

The objective of the LTI program is to reward executives in a manner that aligns remuneration with the creation of shareholder wealth. As such, LTI grants are made to executives who are able to influence the generation of shareholder wealth and thus have an impact on the Group's performance.

### *Structure:*

LTI grants to executives may be delivered in the form of share options or performance rights.

Details of LTI options granted and exercised during the year are shown in the Option holdings for key management personnel table in this Directors' Report.

## **Employment contracts**

The details of agreements are provided below.

### *Michael Wilson*

Mr Wilson is a Director and the Exploration Manager and his remuneration, excluding share-based payments, annual and long service leave allowances, is \$281,064 (2020: \$281,064), plus superannuation contributions. Pursuant to his employment agreement, either the Company or Mr Wilson may terminate with three months' notice in writing to the other party and payment by the Company to Mr Wilson of one month's salary for every 12 month period of service, up to a maximum of 6 month's salary. The Company may pay Mr Wilson for any or all of the three months' notice period in lieu of notice. Mr Wilson is not entitled to any retirement benefits other than as noted above.

### *Adrian Costello*

Mr Costello was the General Manager and resigned on 31 January 2021. Pursuant to his employment agreement his remuneration was \$230,000 (2020: \$230,000), plus superannuation and a performance bonus up to \$30,000, inclusive of superannuation. This bonus was subject to the achievement of key performance indicators that were determined by the Company. The terms of his employment agreement stipulated that it may be terminated by either party providing one month's notice in writing.

### *Mark Pitts*

Mr Pitts is the Company Secretary. Pursuant to an agreement with Endeavour Corporate, an entity related to Mr Pitts, Endeavour Corporate is paid a monthly fee of \$3,500 for Company Secretarial services.

### *Simon Borck*

Mr Borck was the Group Financial Controller and Joint Company Secretary until his resignation on 23 July 2020. On 1 June 2019 his employment agreement with the Group was mutually agreed to terminate and transferred to an associated entity, Tungsten Mining NL.

# Directors' Report

## Remuneration of key management personnel of the Company and Group

Table 1: Remuneration for the year ended 30 June 2021

|                                | Short-term                   |               |                           | Other <sup>2</sup> | Post-employment Super | Long-term benefits Long Service Leave <sup>3</sup> | Share-based payments       | Termination benefits | Total            | Performance related |
|--------------------------------|------------------------------|---------------|---------------------------|--------------------|-----------------------|--|----------------------------|----------------------|------------------|---------------------|
|                                | Salary & fees <sup>1,4</sup> | Cash Bonus    | Annual Leave <sup>3</sup> |                    |                       |  |                            |                      |                  |                     |
|                                | \$                           | \$            | \$                        | \$                 | \$                    | \$   | \$                         | \$                   | \$               | %                   |
| <b>Non-executive directors</b> |                              |               |                           |                    |                       |  |                            |                      |                  |                     |
| G Lyons                        | 88,048                       | -             | -                         | 10,000             | 2,902                 | -  | 250,000 <sup>7</sup>       | -                    | 350,950          | --                  |
| TS Law                         | 55,002                       | -             | -                         | -                  | -                     | -  | -                          | -                    | 55,002           | -                   |
| CA Lau                         | 53,809                       | -             | -                         | -                  | 1,193                 | -  | -                          | -                    | 55,002           | -                   |
| KL Lee                         | 53,809                       | -             | -                         | 18,750             | 1,193                 | -  | -                          | -                    | 73,752           | -                   |
| TS Wong                        | -                            | -             | -                         | -                  | -                     | -  | 250,000 <sup>7</sup>       | -                    | 250,000          | -                   |
| <b>Sub total</b>               | <b>250,668</b>               | <b>-</b>      | <b>-</b>                  | <b>28,750</b>      | <b>5,288</b>          | <b>-</b>   | <b>500,000<sup>7</sup></b> | <b>-</b>             | <b>784,706</b>   | <b>-</b>            |
| <b>Executive directors</b>     |                              |               |                           |                    |                       |  |                            |                      |                  |                     |
| M Wilson                       | 281,063                      | -             | (2,710)                   | -                  | 21,694                | 5,425  | -                          | -                    | 305,472          | -                   |
| <b>Other executives</b>        |                              |               |                           |                    |                       |  |                            |                      |                  |                     |
| A Costello <sup>5</sup>        | 162,466                      | 22,500        | (24,853)                  | -                  | 15,296                | (5,262)  | -                          | -                    | 170,147          | 13%                 |
| S Borck <sup>6</sup>           | -                            | -             | -                         | -                  | -                     | -  | -                          | -                    | -                | -                   |
| M Pitts                        | 42,000                       | -             | -                         | -                  | -                     | -  | -                          | -                    | 42,000           | -                   |
| <b>Sub total</b>               | <b>485,529</b>               | <b>22,500</b> | <b>(27,563)</b>           | <b>-</b>           | <b>36,990</b>         | <b>163</b>   | <b>-</b>                   | <b>-</b>             | <b>517,619</b>   | <b>4%</b>           |
| <b>Total</b>                   | <b>736,197</b>               | <b>22,500</b> | <b>(27,563)</b>           | <b>28,750</b>      | <b>42,278</b>         | <b>163</b>   | <b>500,000<sup>7</sup></b> | <b>-</b>             | <b>1,302,325</b> | <b>2%</b>           |

<sup>1</sup> Salary and fees paid and accrued during the year, except as shown in 4 below.

<sup>2</sup> Other refers to fees paid and accrued for consultancy work performed for the Company.

<sup>3</sup> Remuneration includes movements in his accrued employee entitlements.

<sup>4</sup> As detailed under the Executive and Non-Executive director remuneration sections of this report, the Directors and General Manager agreed to defer a portion of their cash remuneration. Pursuant to shareholder approval at the Company's 2020 Annual General Meeting and ASX Listing Rules, this resulted in 1,856,409 ordinary shares with a weighted average fair value of \$0.0923 per share being issued to Key Management Personnel to satisfy \$174,463 in accrued fees and salary. As at 30 June 2021, an additional \$213,548 in deferred fees and salaries are outstanding.

<sup>5</sup> Mr Costello resigned on 31 January 2021. Accrued leave liabilities at the date of his resignation were paid out and are included in Salary and Fees above. Accordingly, there are significant negative movements in his annual leave and long service leave allowances noted above.

<sup>6</sup> Mr Borck resigned on 23 July 2020.

<sup>7</sup> Relates to the fair value of options issued over the shares of the subsidiary, Western Gold Resources Limited, during the financial year relating to the demerger of WGR and its initial public offering of shares.

# Directors' Report

## Remuneration of key management personnel of the Company and Group

Table 2: Remuneration For the year ended 30 June 2020

|                                | Short-term                   |               |                           |                    | Post-employment Super | Long-term benefits Long Service Leave <sup>3</sup> | Share-based payments | Termination benefits | Total          | Performance related |
|--------------------------------|------------------------------|---------------|---------------------------|--------------------|-----------------------|--|----------------------|----------------------|----------------|---------------------|
|                                | Salary & fees <sup>1,4</sup> | Cash Bonus    | Annual Leave <sup>3</sup> | Other <sup>2</sup> |                       |  |                      |                      |                |                     |
|                                | \$                           | \$            | \$                        | \$                 | \$                    | \$   | \$                   | \$                   | \$             | %                   |
| <b>Non-executive directors</b> |                              |               |                           |                    |                       |  |                      |                      |                |                     |
| G Lyons                        | 89,097                       | -             | -                         | 3,000              | 4,189                 | -  | -                    | -                    | 96,286         | -                   |
| TS Law                         | 55,001                       | -             | -                         | -                  | -                     | -  | -                    | -                    | 55,001         | -                   |
| CA Lau                         | 53,365                       | -             | -                         | 750                | 2,457                 | -  | -                    | -                    | 56,572         | -                   |
| KL Lee                         | 52,615                       | -             | -                         | 11,250             | 2,386                 | -  | -                    | -                    | 66,251         | -                   |
| <b>Sub total</b>               | <b>250,078</b>               | -             | -                         | <b>15,000</b>      | <b>9,032</b>          | -  | -                    | -                    | <b>274,110</b> | -                   |
| <b>Executive directors</b>     |                              |               |                           |                    |                       |  |                      |                      |                |                     |
| M Wilson                       | 281,064                      | -             | 40,547                    | -                  | 26,701                | 17,392   | -                    | -                    | 365,704        | -                   |
| <b>Other executives</b>        |                              |               |                           |                    |                       |  |                      |                      |                |                     |
| A Costello <sup>5</sup>        | 220,548                      | 30,000        | 8,531                     | -                  | 23,802                | 5,239  | -                    | -                    | 288,120        | 10%                 |
| S Borck <sup>6</sup>           | -                            | -             | -                         | -                  | -                     | -  | -                    | -                    | -              | -                   |
| M Pitts                        | 42,000                       | -             | -                         | -                  | -                     | -  | -                    | -                    | 42,000         | -                   |
| <b>Sub total</b>               | <b>543,612</b>               | <b>30,000</b> | <b>49,078</b>             | -                  | <b>50,503</b>         | <b>22,631</b>                                      | -                    | -                    | <b>695,824</b> | -                   |
| <b>Total</b>                   | <b>793,690</b>               | <b>30,000</b> | <b>49,078</b>             | <b>15,000</b>      | <b>59,535</b>         | <b>22,631</b>                                      | -                    | -                    | <b>969,934</b> | -                   |

<sup>1</sup> Salary and fees paid and accrued during the year, except as shown in 4 below

<sup>2</sup> Other refers to fees paid and accrued for consultancy work performed for the Company.

<sup>3</sup> Remuneration includes movements in his accrued employee entitlements.

<sup>4</sup> As detailed under Non-executive director remuneration of this report, the Non executive Directors agreed to defer 50% of their remuneration cash payments from 1 July 2014. Pursuant to shareholder approval at the Company's 2019 Annual General Meeting, this resulted in 1,178,781 ordinary shares with a weighted average fair value of \$0.1082 per share being issued to Directors to satisfy \$127,500 in accrued directors fees. As at 30 June 2020, there was \$96,625 in deferred director's fees outstanding.

<sup>5</sup> Mr Costello was appointed as General Manager on 11 July 2018.

<sup>6</sup> Mr Borck resigned subsequent to the end of the year on 23 July 2020.



# Directors' Report

## Equity instruments

### Shareholdings of key management personnel

Details of Shares held in the Company at reporting date (number).

30 June 2021

|                           | Balance at beginning of year or on appointment | Paid as Remuneration <sup>(1)</sup> | On exercise of options | Other net changes  | Balance at end of year or on ceasing office |
|---------------------------|--|-------------------------------------|------------------------|--------------------|---|
| <b>Directors</b>          |  |                                     |                        |                    |   |
| G Lyons                   | 4,244,740                                      | 585,634                             | 4,000,000              | (2,830,374)        | 6,000,000                                   |
| TS Law                    | 29,074,192                                     | 357,887                             | 4,000,000              | -                  | 33,432,079                                  |
| M Wilson                  | 2,657,313                                      | 150,482                             | 4,000,000              | (1,200,000)        | 5,607,795                                   |
| CA Lau                    | 2,407,800                                      | 357,887                             | 4,000,000              | -                  | 6,765,687                                   |
| KL Lee                    | 2,212,800                                      | 357,887                             | 4,000,000              | (1,887,915)        | 4,682,772                                   |
| T S Wong                  | 21,908,333                                     | -                                   | -                      | -                  | 21,908,333                                  |
| <b>Other executives</b>   |  |                                     |                        |                    |   |
| A Costello <sup>(3)</sup> | -  | 197,114                             | -                      | -                  | 197,114                                     |
| S Borck <sup>(2)</sup>    | 100,000  | -                                   | -                      | -                  | 100,000                                     |
| M Pitts                   | 100,000  | -                                   | 750,000                | (150,000)          | 700,000                                     |
| <b>Total</b>              | <b>62,705,178</b>                              | <b>2,006,891</b>                    | <b>20,750,000</b>      | <b>(6,068,289)</b> | <b>79,393,780</b>                           |

30 June 2020

|                         | Balance at beginning of year or on appointment | Paid as Remuneration <sup>(1)</sup> | On exercise of options | Other net changes | Balance at end of year or on ceasing office |
|-------------------------|--|-------------------------------------|------------------------|-------------------|---|
| <b>Directors</b>        |  |                                     |                        |                   |   |
| G Lyons                 | 3,823,200                                      | 416,040                             | -                      | 5,500             | 4,244,740                                   |
| TS Law                  | 28,819,945                                     | 254,247                             | -                      | -                 | 29,074,192                                  |
| M Wilson                | 2,657,313                                      | -                                   | -                      | -                 | 2,657,313                                   |
| CA Lau                  | 2,153,553                                      | 254,247                             | -                      | -                 | 2,407,800                                   |
| KL Lee                  | 1,958,553                                      | 254,247                             | -                      | -                 | 2,212,800                                   |
| T S Wong                | 21,908,333                                     | -                                   | -                      | -                 | 21,908,333                                  |
| <b>Other executives</b> |  |                                     |                        |                   |   |
| A Costello              | -  | -                                   | -                      | -                 | -   |
| S Borck                 | 100,000  | -                                   | -                      | -                 | 100,000                                     |
| M Pitts                 | 100,000  | -                                   | -                      | -                 | 100,000                                     |
| <b>Total</b>            | <b>61,520,897</b>                              | <b>1,178,781</b>                    | <b>-</b>               | <b>5,500</b>      | <b>62,705,178</b>                           |

# Directors' Report

## Equity instruments (continued)

### Option holdings for key management personnel – GWR Group Limited

Details of vesting profiles of the options granted as remuneration to Key Management Personnel of the Company are detailed below (number).

30 June 2021

|                           | Balance at beginning of year or on appointment | Granted as compensation during the year | Exercised during the year | Other changes during the year | Balance at end of year or on ceasing office | Exercisable at the end of the year |
|---------------------------|--|---|---------------------------|-------------------------------|---|------------------------------------|
| <b>Directors</b>          |  |   |                           |                               |   |                                    |
| G Lyons                   | 4,000,000                                      | -                                       | (4,000,000)               | -                             | -   | -                                  |
| TS Law                    | 4,000,000                                      | -                                       | (4,000,000)               | -                             | -   | -                                  |
| CA Lau                    | 4,000,000                                      | -                                       | (4,000,000)               | -                             | -   | -                                  |
| KL Lee                    | 4,000,000                                      | -                                       | (4,000,000)               | -                             | -   | -                                  |
| M Wilson                  | 4,000,000                                      | -                                       | (4,000,000)               | -                             | -   | -                                  |
| T S Wong                  | -  | -                                       | -                         | -                             | -   | -                                  |
| <b>Other executives</b>   |  |   |                           |                               |   |                                    |
| A Costello <sup>(3)</sup> | -  | -                                       | -                         | -                             | -   | -                                  |
| S Borck <sup>(2)</sup>    | 1,000,000                                      | -                                       | -                         | -                             | 1,000,000                                   | -(2)                               |
| M Pitts                   | 750,000  | -                                       | (750,000)                 | -                             | -   | -                                  |
| <b>Total</b>              | <b>21,750,000</b>                              | <b>-</b>                                | <b>(20,750,000)</b>       | <b>-</b>                      | <b>1,000,000</b>                            | <b>-</b>                           |

1) Represents amounts paid by equity to settle directors fees.

2) Mr Borck resigned on 23 July 2020. The 1,000,000 options held at the date of his resignation were exercised by Mr Borck during the year and subsequent to his resignation.

3) Mr Costello resigned on 31 January 2021.

30 June 2020

|                         | Balance at beginning of year or on appointment | Granted as compensation during the year | Exercised during the year | Other changes during the year | Balance at end of year or on ceasing office | Exercisable at the end of the year |
|-------------------------|--|---|---------------------------|-------------------------------|---|------------------------------------|
| <b>Directors</b>        |  |   |                           |                               |   |                                    |
| G Lyons                 | 4,000,000                                      | -                                       | -                         | -                             | 4,000,000                                   | 4,000,000                          |
| TS Law                  | 4,000,000                                      | -                                       | -                         | -                             | 4,000,000                                   | 4,000,000                          |
| CA Lau                  | 4,000,000                                      | -                                       | -                         | -                             | 4,000,000                                   | 4,000,000                          |
| KL Lee                  | 4,000,000                                      | -                                       | -                         | -                             | 4,000,000                                   | 4,000,000                          |
| M Wilson                | 4,000,000                                      | -                                       | -                         | -                             | 4,000,000                                   | 4,000,000                          |
| T S Wong                | -  | -                                       | -                         | -                             | -   | -                                  |
| <b>Other executives</b> |  |   |                           |                               |   |                                    |
| A Costello              | -  | -                                       | -                         | -                             | -   | -                                  |
| S Borck                 | 1,000,000                                      | -                                       | -                         | -                             | 1,000,000                                   | 1,000,000                          |
| M Pitts                 | 750,000  | -                                       | -                         | -                             | 750,000                                     | 750,000                            |
| <b>Total</b>            | <b>21,750,000</b>                              | <b>-</b>                                | <b>-</b>                  | <b>-</b>                      | <b>21,750,000</b>                           | <b>21,750,000</b>                  |

# Directors' Report

## Equity instruments (continued)

### Option holdings for key management personnel – Western Gold Resources Limited

Details of vesting profiles of the options granted as remuneration to Key Management Personnel of the Company's subsidiary, Western Gold Resources Limited, are detailed below (number).

|                         | Balance at beginning of year or on appointment | Granted as compensation during the year | Exercised during the year | Other changes during the year | Balance at end of year or on ceasing office | Exercisable at the end of the year |
|-------------------------|--|---|---------------------------|-------------------------------|---|------------------------------------|
| <b>Directors</b>        |  |   |                           |                               |   |                                    |
| G Lyons                 | -  | 2,500,000                               | -                         | -                             | 2,500,000                                   | -                                  |
| TS Law                  | -  | -                                       | -                         | -                             | -   | -                                  |
| CA Lau                  | -  | -                                       | -                         | -                             | -   | -                                  |
| KL Lee                  | -  | -                                       | -                         | -                             | -   | -                                  |
| M Wilson                | -  | -                                       | -                         | -                             | -   | -                                  |
| T S Wong                | -  | 2,500,000                               | -                         | -                             | 2,500,000                                   | -                                  |
| <b>Other executives</b> |  |   |                           |                               |   |                                    |
| A Costello              | -  | -                                       | -                         | -                             | -   | -                                  |
| S Borck <sup>(2)</sup>  | -  | -                                       | -                         | -                             | -   | -                                  |
| M Pitts                 | -  | -                                       | -                         | -                             | -   | -                                  |
| <b>Total</b>            | -  | 5,000,000                               | -                         | -                             | 5,000,000                                   | -                                  |

There were no options over the shares of Western Gold Resources held by key management personnel during the previous financial year.

### Options granted to key management personnel during the year

No options over the Company's shares were granted during the year ended 30 June 2021 (2020: nil).

5,000,000 options over shares of the Company's subsidiary, Western Gold Resources Limited ("WGR"), were granted to directors of GWR during the year. These options are exercisable at \$0.25 each on or before 1 July 2024. These options were not exercisable until the successful initial public offering ("IPO") of the securities of WGR on the official list of the Australian Securities Exchange ("ASX") and were cancellable by WGR if the IPO was not successful. The IPO was successful and WGR was admitted to the official list of the ASX on 23 July 2021.

The fair value of these options was determined by reference to the Black-Scholes option pricing model. The key inputs and valuations are summarised as follows:

| WGR – Director Options                           |               |
|--|---------------|
| Underlying security spot price on grant date (a) | \$0.20        |
| Exercise price                                   | \$0.25        |
| Grant date                                       | 12 March 2021 |
| Expiration date                                  | 1 July 2024   |
| Life (years)                                     | 3.31          |
| Volatility                                       | 85%           |
| Risk-free rate                                   | 0.10%         |
| Expected dividend yield                          | -             |
| Number of options (b)                            | 5,000,000     |
| Valuation per option                             | \$0.10        |
| Total value                                      | \$500,000     |

# Directors' Report

## Equity instruments (continued)

Notes:

(a) – WGR was unlisted at the date these securities were issued, and therefore the price utilised was the price of the initial public offering of securities, being \$0.20.

(b) – A total of 10,000,000 options were issued, however 5,000,000 were issued to the two directors of WGR who are not directors of GWR and therefore are not considered Key Management Personnel of GWR.

### Details of options over equity instruments of the Company granted as compensation

There were no options over equity instruments of the Company granted as compensation held at reporting date by Key Management Personnel (2020: 21,750,000).

### Shares issued on exercise of options

20,750,000 shares were issued to Key Management Personnel upon exercise of options during the year (2020: nil).

### Shares paid as remuneration

Pursuant to shareholder approval at the Company's 2020 Annual General Meeting 1,932,920 ordinary shares with a weighted average fair value of \$0.0923 per share were issued to Directors and senior management to satisfy \$178,413 in accrued fees and salary. Additionally, the Group's general manager, Adrian Costello, was issued 73,971 shares on 10 February 2021 to satisfy an outstanding balance of \$15,285 in deferred salary as at the date of his resignation.

Amounts paid by issuing Company shares in lieu of accrued fees are detailed below.

|                         | Number of shares<br>paid as<br>Remuneration | Fair value per<br>share<br>\$ | Total value paid<br>as Remuneration<br>\$ |
|-------------------------|---|-------------------------------|---|
| <b>Directors</b>        |   |                               |   |
| G Lyons                 | 585,634                                     | 0.0864                        | 50,625                                    |
| TS Law                  | 357,887                                     | 0.0864                        | 30,938                                    |
| M Wilson                | 150,482                                     | 0.1278                        | 19,235                                    |
| CA Lau                  | 357,887                                     | 0.0864                        | 30,938                                    |
| KL Lee                  | 357,887                                     | 0.0864                        | 30,938                                    |
| T S Wong                | -   | -                             | -   |
| <b>Other executives</b> |   |                               |   |
| A Costello              | 197,114                                     | 0.1574                        | 31,024                                    |
| S Borck                 | -   | -                             | -   |
| M Pitts                 | -   | -                             | -   |
| <b>Total</b>            | <b>2,006,891</b>                            | <b>0.0965</b>                 | <b>193,698</b>                            |

### END OF REMUNERATION REPORT

Signed on behalf of directors and in accordance with a resolution of directors.



Gary Lyons  
Chairman

Dated at Perth, this 30<sup>th</sup> day of September 2021



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30 September 2021

The Directors  
GWR Group Limited  
97 Outram Street,  
West Perth, WA 6005

Dear Directors

**RE: GWR GROUP LIMITED**

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of GWR Group Limited.

As the Audit Director for the audit of the financial statements of GWR Group Limited for the year ended 30 June 2021, 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.

Yours sincerely

**STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD**  
(Authorised Audit Company)

**Martin Michalik**  
Director

# Consolidated statement of profit or loss and other comprehensive income

## For the year ended 30 June 2021

|   | Note | Consolidated      |                    |
|---|------|-------------------|--------------------|
|   |      | 2021              | 2020               |
|   |      | \$                | \$                 |
| Ore sales   | 6(a) | 71,533,770        | -                  |
| Other Revenue   | 6(b) | 1,046,519         | 1,830,506          |
| <b>Total Revenue</b>  |      | <b>72,580,289</b> | <b>1,830,506</b>   |
| Costs of sales  | 7(a) | (53,472,833)      | -                  |
| <b>Gross Profit</b>   |      | <b>19,107,456</b> | <b>1,830,506</b>   |
| Profit share with production alliance partner                       |      | (176,196)         | -                  |
| Exploration & evaluation expenditure                                |      | (554,911)         | (1,651,539)        |
| Personnel expenses  | 7(b) | (660,786)         | (726,056)          |
| Other expenses  | 7(c) | (768,551)         | (647,227)          |
| Impairment of inventories   | 12   | (3,000,000)       | -                  |
| Impairment of mine properties                                       | 15   | (4,912,031)       | -                  |
| Share of losses of associates                                       | 17   | -                 | (1,006,583)        |
| <b>Profit / (Loss) from continuing operations before income tax</b> |      | <b>9,034,981</b>  | <b>(2,200,899)</b> |
| <b>Discontinued Operations</b>                                      |      |                   |                    |
| (Loss) after tax from discontinued operations                       | 33   | (1,566,471)       | -                  |
| <b>Profit / (loss) for the year</b>                                 |      | <b>7,468,510</b>  | <b>(2,200,899)</b> |
| Income tax benefit / (expense)                                      | 8    | -                 | -                  |
| <b>Profit / (Loss) for the year after income tax</b>                |      | <b>7,468,510</b>  | <b>(2,200,899)</b> |
| <b>Other comprehensive income</b>                                   |      |                   |                    |
| Items that will not be reclassified subsequently to profit or loss  |      | -                 | -                  |
| Items that may be reclassified subsequently to profit or loss       |      | -                 | -                  |
| <b>Total comprehensive profit / (loss) after tax</b>                |      | <b>7,468,510</b>  | <b>(2,200,899)</b> |
| <b>Basic and diluted loss per share in cents</b>                    |      |                   |                    |
| From continuing operations  | 9    | 3.05              | (0.87)             |
| From discontinued operations  | 9    | (0.53)            | -                  |
| From continuing and discontinued operations                         | 9    | <b>2.52</b>       | <b>(0.87)</b>      |

Diluted loss per share is not disclosed as it would not reflect an inferior position.

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

# Consolidated statement of financial position as at 30 June 2021

|                                      | Note   | Consolidated      |                   |
|--------------------------------------|--------|-------------------|-------------------|
|                                      |        | 2021              | 2020              |
|                                      |        | \$                | \$                |
| <b>Current assets</b>                |        |                   |                   |
| Cash and cash equivalents            | 10     | 23,713,605        | 1,381,137         |
| Trade and other receivables          | 11     | 2,970,869         | 44,417            |
| Inventories                          | 12     | 12,360,836        | -                 |
| Financial assets                     | 16     | 677,346           | 402,000           |
| Assets held for sale                 | 33     | 488,968           | -                 |
| Total current assets                 |        | <b>40,211,624</b> | <b>1,827,554</b>  |
| <b>Non-current assets</b>            |        |                   |                   |
| Plant & Equipment                    | 13     | 68,911            | 70,910            |
| Exploration & evaluation expenditure | 14     | 6,329,379         | 8,050,275         |
| Mine properties                      | 15     | -                 | -                 |
| Financial assets                     | 16     | 2,110,000         | 121,008           |
| Total non-current assets             |        | <b>8,508,290</b>  | <b>8,242,193</b>  |
| Total assets                         |        | <b>48,719,914</b> | <b>10,069,747</b> |
| <b>Current liabilities</b>           |        |                   |                   |
| Trade and other payables             | 18     | 23,315,522        | 311,135           |
| Lease liabilities                    | 19 (a) | 240,000           | -                 |
| Provisions                           | 20 (a) | 433,379           | 272,209           |
| Total current liabilities            |        | <b>23,988,901</b> | <b>583,344</b>    |
| <b>Non-current liabilities</b>       |        |                   |                   |
| Lease liabilities                    | 19 (b) | 811,625           | -                 |
| Provisions                           | 20 (b) | 1,481,647         | 310,846           |
| Total non-current liabilities        |        | <b>2,293,272</b>  | <b>310,846</b>    |
| Total liabilities                    |        | <b>26,282,173</b> | <b>894,190</b>    |
| Net assets                           |        | <b>22,437,741</b> | <b>9,175,557</b>  |
| <b>Equity</b>                        |        |                   |                   |
| Contributed equity                   | 21     | 158,966,934       | 154,735,910       |
| Reserves                             | 22     | 28,512,378        | 26,949,728        |
| Accumulated losses                   | 23     | (165,041,571)     | (172,510,081)     |
| Total equity                         |        | <b>22,437,741</b> | <b>9,175,557</b>  |

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

# Consolidated statement of changes in equity

## For the year ended 30 June 2021

|  | Contributed Equity | Accumulated losses   | Option reserve    | Total Equity      |
|--|--------------------|----------------------|-------------------|-------------------|
|  | \$                 | \$                   | \$                | \$                |
| Balance at 1/7/2019                            | 154,610,483        | (170,309,182)        | 26,949,728        | 11,251,029        |
| Loss for the year                              | -                  | (2,200,899)          | -                 | (2,200,899)       |
| Other comprehensive income                     | -                  | -                    | -                 | -                 |
| Total comprehensive (loss)/income for the year | -                  | (2,200,899)          | -                 | (2,200,899)       |
| Shares issued in lieu of fees                  | 127,500            | -                    | -                 | 127,500           |
| Share issue costs                              | (2,073)            | -                    | -                 | (2,073)           |
| <b>Balance at 30/06/2020</b>                   | <b>154,735,910</b> | <b>(172,510,081)</b> | <b>26,949,728</b> | <b>9,175,557</b>  |
| Balance at 1/7/2020                            | 154,735,910        | (172,510,081)        | 26,949,728        | 9,175,557         |
| Profit for the year                            | -                  | 7,468,510            | -                 | 7,468,510         |
| Other comprehensive income                     | -                  | -                    | -                 | -                 |
| Total comprehensive income/(loss) for the year | -                  | 7,468,510            | -                 | 7,468,510         |
| Shares issued for cash                         | 3,300,000          | -                    | -                 | 3,300,000         |
| Shares issued in lieu of fees / salary         | 193,698            | -                    | -                 | 193,698           |
| Options exercised                              | 1,498,500          | -                    | -                 | 1,498,500         |
| Share based payments                           | -                  | -                    | 1,000,000         | 1,000,000         |
| Options issued for share issue costs           | (562,650)          | -                    | 562,650           | -                 |
| Other share issue costs incurred               | (198,524)          | -                    | -                 | (198,524)         |
| <b>Balance at 30/06/2021</b>                   | <b>158,966,934</b> | <b>(165,041,571)</b> | <b>28,512,378</b> | <b>22,437,741</b> |

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



# Consolidated statement of cash flows

## For the year ended 30 June 2021

|  | Note | Consolidated       |                    |
|--|------|--------------------|--------------------|
|  |      | 2021               | 2020               |
|  |      | \$                 | \$                 |
| <b>Cash flows from operating activities</b>                        |      |                    |                    |
| Payments to suppliers & employees                                  |      | (46,128,715)       | (1,208,597)        |
| Receipts from customers  |      | 72,518,330         | -                  |
| Payments for exploration & evaluation                              |      | (954,294)          | (1,663,298)        |
| Proceeds from iron ore mining rights                               | 6(c) | 625,000            | 500,000            |
| Government grants – cash flow boost received                       | 6(b) | 67,500             | 50,000             |
| Interest received  | 6(b) | 2,981              | 24,686             |
| Other income   |      | 18,753             | 5,200              |
| <b>Net cash provided by/(used in) operating activities</b>         | 24   | <b>26,149,555</b>  | <b>(2,292,009)</b> |
| <b>Cash flows from investing activities</b>                        |      |                    |                    |
| Mine development and pre-production costs paid                     |      | (16,123,563)       | -                  |
| Revenue received during pre-production phase of mining operations  | 6(a) | 10,531,589         | -                  |
| Payments for plant & equipment                                     |      | (2,472)            | -                  |
| Proceeds from sale of plant & equipment                            |      | -                  | 5,000              |
| Net cash proceeds from sale of subsidiary                          | 34   | -                  | 42,153             |
| Cash reclassified to assets held for sale                          | 33   | (31,253)           | -                  |
| Payments for security deposits/bonds                               |      | (2,180,001)        | -                  |
| Rehabilitation bond funds received for JWD project from FE Limited |      | 110,000            | -                  |
| Purchase of financial assets                                       | 16   | -                  | (150,000)          |
| Sale of financial assets – eMetals Limited                         |      | 61,000             | -                  |
| Proceeds from sale of other financial assets                       | 6(d) | -                  | 875,000            |
| <b>Net cash (used in)/provided by investing activities</b>         |      | <b>(7,634,700)</b> | <b>772,153</b>     |
| <b>Cash flows from financing activities</b>                        |      |                    |                    |
| Proceeds from share issues   |      | 3,300,000          | -                  |
| Proceeds from option exercises                                     |      | 1,498,500          | -                  |
| Share issue costs paid   |      | (198,524)          | (2,073)            |
| Share subscriptions for Western Gold Resources                     |      | 213,200            | -                  |
| Western Gold Resources share issue costs paid                      |      | (165,669)          | -                  |
| Bank foreign currency exchange fees paid                           |      | (829,894)          | -                  |
| <b>Net cash provided by/(used in) financing activities</b>         |      | <b>3,817,613</b>   | <b>(2,073)</b>     |
| Net increase/(decrease) in cash and cash equivalents               |      | 22,332,468         | (1,521,929)        |
| Cash and cash equivalents at the beginning of the financial year   |      | 1,381,137          | 2,903,066          |
| <b>Cash and cash equivalents at the end of the financial year</b>  | 10   | <b>23,713,605</b>  | <b>1,381,137</b>   |

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

# Notes to the Financial Statements

## For the year ended 30 June 2021

### Note 1: Corporate information

The financial report of GWR Group Limited (“the Company” or the “the Parent”) and of the Group, being the Company and its controlled entities for the financial year ended 30 June 2021 was authorised for issue in accordance with a resolution of the directors on 30 September 2021.

GWR Group Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange. The nature of the operations and principal activities of the Group are described in the directors' report.

Separate financial statements for GWR Group Limited as an individual entity are no longer presented as the consequence of a change to the Corporations Act 2001, however, required financial information for GWR Group Limited as an individual entity is included in Note 32.

### Note 2: Summary of significant accounting policies

#### a) Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis, except for held for sale investments, which have been measured at fair value. The financial report is presented in Australian dollars and all values are rounded to the nearest dollar unless otherwise stated.

#### b) Compliance with IFRS

The financial report complies with Australian Accounting Standards (AASB) and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards board.

#### c) New accounting standards and interpretations

##### **New and Revised Accounting Standards adopted by the Group**

The Group has considered the implications of new and amended Accounting Standards which have become applicable for the current financial reporting period.

##### *Initial adoption of AASB 2020-04: COVID-19-Related Rent Concessions*

AASB 2020-4: Amendments to Australian Accounting Standards – COVID-19-Related Rent Concessions amends AASB 16 by providing a practical expedient that permits lessees to assess whether rent concessions that occur as a direct consequence of the COVID-19 pandemic and, if certain conditions are met, account for those rent concessions as if they were not lease modifications.

##### *Initial adoption of AASB 2018-6: Amendments to Australian Accounting Standards – Definition of a Business*

AASB 2018-6 amends and narrows the definition of a business specified in AASB 3: Business Combinations, simplifying the determination of whether a transaction should be accounted for as a business combination or an asset acquisition. Entities may also perform a calculation and elect to treat certain acquisitions as acquisitions of assets.

##### *Initial adoption of AASB 2018-7: Amendments to Australian Accounting Standards – Definition of Material*

This amendment principally amends AASB 101 and AASB 108 by refining the definition of material by improving the wording and aligning the definition across the standards issued by the AASB.

##### *Initial adoption of AASB 2019-3: Amendments to Australian Accounting Standards – Interest Rate Benchmark*

This amendment amends specific hedge accounting requirements to provide relief from the potential effects of the uncertainty caused by interest rate benchmark reform.

##### *Initial adoption of AASB 2019-1: Amendments to Australian Accounting Standards – References to the Conceptual Framework*

This amendment amends Australian Accounting Standards, Interpretations and other pronouncements to reflect the issuance of Conceptual Framework for Financial Reporting by the AASB.

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

# Notes to the Financial Statements

## For the year ended 30 June 2021

### Note 2: Summary of significant accounting policies (continued)

#### c) New accounting standards and interpretations (continued)

##### New and revised Accounting Standards for Application in Future Periods

###### *Other standards not yet applicable*

Certain new accounting standards and interpretations have been issued by the Australian Accounting Standards Board (AASB) that are not mandatory for 30 June 2021 reporting period and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods.

#### d) Basis of consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent (GWR Group Limited) and all of the subsidiaries. Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the subsidiaries is provided in note 25(a).

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between Group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group. Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as "non-controlling interests". The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary's net assets on liquidation at either fair value or at the non-controlling interests' proportionate share of the subsidiary's net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of comprehensive income.

#### e) Segment reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

Operating segments have been identified based on the information provided to the chief operating decision makers – being the executive management team. Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements. The Group determines and presents operating segments based on the information internally provided to the executive management team.

#### f) Revenue

The Group generates a significant proportion of revenue from the sale of iron ore. Revenue from contracts with customers is recognised when control of the goods or services is transferred to the customer and at the amount that reflects the consideration which the Group expects to receive in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue contracts because it typically controls the goods or services before transferring them to the customer.

##### *Iron Ore Sales*

Sale of products Revenue from the sale of products is recognised when control has passed to the customer, no further work or processing is required by the Group, the quantity and quality of the products have been determined with reasonable accuracy, the price can be reasonably estimated and collectability is reasonably assured.

The above conditions are generally satisfied when title passes to the customer, typically on the bill of lading date when iron ore is delivered to the vessel, or alternatively on collection for port sales. Revenue is recorded at the invoiced amounts along with any associated shipping costs. GWR's sales contracts may provide for provisional pricing of sales at the time the product is delivered to the vessel with final pricing determined using the relevant price indices on or after the vessel's arrival at the port of discharge. Under AASB 9 the receivable asset is measured at amortised cost.

# Notes to the Financial Statements

## For the year ended 30 June 2021

### Note 2: Summary of significant accounting policies (continued)

#### f) Revenue (continued)

##### *Interest Income*

Revenue is recognised as the interest accrues using the effective interest method. This is the method of calculating the amortised costs of the financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

##### *Government Grants*

Government grants are recognised when there is reasonable assurance that (a) the Group will comply with the conditions attaching to them; and (b) the grants will be received; they are then recognised in profit or loss or as a deduction against the carrying value of an underlying asset.

#### g) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of 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 profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, 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 income 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; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet 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 income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to 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 balance sheet date. Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss. Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities related to the same taxable entity and the same taxation authority.

#### h) Other taxes

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

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

# Notes to the Financial Statements

## For the year ended 30 June 2021

### Note 2: Summary of significant accounting policies (continued)

#### h) Other taxes (continued)

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

#### i) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

#### j) Plant and equipment

All plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation. All other repairs and maintenance are recognised in profit or loss as incurred.

##### *Depreciation*

Depreciation is calculated using diminishing balance method over the estimated useful life of the assets as follows:

- Leasehold improvements 5 to 10 years
- Motor vehicles 10 years
- Plant and equipment 5 to 20 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

##### *Derecognition and disposal*

An item of plant and equipment is derecognised upon disposal 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 profit or loss in the year the item is derecognised.

#### k) Exploration and evaluation expenditure

Exploration and evaluation costs are expensed in the period they are incurred apart from mineral acquisition costs, which are capitalised and carried forward where right to tenure of the area of interest is current and they are expected to be recouped through sale or successful development and exploitation of the area of interest, or where exploration and evaluation activities in the area of interest have not reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Where an area of interest is abandoned or the directors decide that it is not commercial, any accumulated mineral acquisition costs in respect of that area are written off in the financial period the decision is made. Each area of interest is also reviewed at the end of each accounting period and capitalised costs written off to the extent it is deemed that they will not be recoverable in the future.

Amortisation is not charged on costs carried forward in respect of areas of interest in the development phase until production commences.

#### l) Mine properties

##### *Recognition and measurement*

Mine properties represent the accumulation of all acquisition, exploration, evaluation and development expenditure incurred by or on behalf of the Group in relation to areas of interest in which mining of the mineral resource has commenced.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. An impairment exists when the carrying value of mine properties exceeds its estimated recoverable amount. The asset is then written down to its recoverable amount and the impairment losses are recognised in profit or loss.

# Notes to the Financial Statements

## For the year ended 30 June 2021

### Note 2: Summary of significant accounting policies (continued)

#### l) Mine properties (continued)

##### *Amortisation*

Accumulated mine development costs are depreciated/amortised on a Unit Of Production (UOP) basis over the economically recoverable reserves of the mine concerned, except in the case of assets whose useful life is shorter than the life of the mine, in which case, the straight-line method is applied. Rights and concessions are depleted on the UOP basis over the economically recoverable reserves of the relevant area. The UOP rate calculation for the amortisation of mine development costs takes into account expenditures incurred to date, together with sanctioned future development expenditure. Economically recoverable reserves include proven and probable reserves. The estimated fair value attributable to the mineral reserves and the portion of mineral resources considered to be probable of economic extraction at the time of the acquisition is amortised on a UOP basis whereby the denominator is the proven and probable reserves..

#### m) Inventories

Iron ore inventory and finished goods are stated at the lower of cost and net realisable value. Cost for raw materials and stores is determined as the purchase price. For partly processed and saleable iron ore, cost is based on the weighted average cost method and includes:

- Materials and production costs, directly attributable to the extraction, processing and transportation of iron ore to the existing location;
- Production and transportation overheads; and
- Amortisation of capitalised mine development costs.

Iron ore stockpiles represent iron ore that has been extracted and is available for further processing or sale. Quantities are assessed primarily through internal and third-party surveys. Where there is an indication that inventories are low-grade or unlikely to be realised at the commercial prices, these inventories are written down to net realisable value. 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.

#### n) Stripping (waste removal) costs

As part of its mining operations, the Group 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 UOP method. The capitalisation of development stripping costs ceases when the mine/component is commissioned and ready for use as intended by management.

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 ore 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 ore 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:

- Future economic benefits (being improved access to the ore body) are probable;
- The component of the ore body 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 ore body, the Group works closely with the mining operations personnel for each mining operation to analyse each of the mine plans. Generally, a component will be a subset of the total ore body, and a mine may have several components. The mine plans, and therefore the identification of components, can vary between mines for a number of reasons. These include, but are not limited to: the type of commodity, the geological characteristics of the ore body, the geographical location, and/or financial considerations. Given the nature of the Group's operations, components are generally either major pushbacks or phases and they generally form part of a larger investment decision which requires board approval.



# Notes to the Financial Statements

## For the year ended 30 June 2021

### Note 2: Summary of significant accounting policies (continued)

#### n) Stripping (waste removal costs (continued))

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 ore, 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 ore body and is used as a benchmark to identify the extent to which the additional activity of creating a future benefit has taken place. The Group uses the expected volume of waste extracted compared with the actual volume for a given volume of ore 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 ore body 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 ore body. The stripping activity asset is then carried at cost less depreciation and any impairment losses.

#### o) Investments in an associate

The Group's investment in its associate, an entity in which the Group has significant influence, is accounted for using the equity method.

Under the equity method, the investment in the associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The statement of profit or loss and other comprehensive income reflects the Group's share of the results of operations of the associate. When there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The Group's share of profit or loss of an associate is shown on the face of the statement of profit or loss and other comprehensive income and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the associate and its carrying value, then recognises the loss as 'Share of Losses of an associate' in the statement of profit or loss and other comprehensive income.

Upon loss of significant influence over the associate, the Group measures and recognises the retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

# Notes to the Financial Statements

## For the year ended 30 June 2021

### Note 2: Summary of significant accounting policies (continued)

#### p) Financial instruments

##### Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument. Financial instruments (except for trade receivables) are measured initially at fair value adjusted by transactions costs, except for those carried "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss. Where available, quoted prices in an active market are used to determine the fair value. In other circumstances, valuation techniques are adopted. Subsequent measurement of financial assets and financial liabilities are described below.

Trade receivables are initially measured at the transaction price if the receivables do not contain a significant financing component in accordance with AASB 15.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

##### Classification and subsequent measurement

###### *Financial assets*

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments, are classified into the following categories upon initial recognition:

- amortised cost;
- fair value through other comprehensive income (FVOCI); and
- fair value through profit or loss (FVPL).

Classifications are determined by both:

- The contractual cash flow characteristics of the financial assets; and
- The entities business model for managing the financial asset.

###### *Financial assets at amortised cost*

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

###### *Financial assets at fair value through other comprehensive income*

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding; and
- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling the financial asset.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI.



# Notes to the Financial Statements

## For the year ended 30 June 2021

### Note 2: Summary of significant accounting policies (continued)

#### p) Financial instruments (continued)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under AASB 132 Financial Instruments: Presentation and are not held for trading.

##### *Financial assets at fair value through profit or loss (FVTPL)*

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

##### **Financial liabilities**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss. All interest-related charges and, if applicable, gains and losses arising on changes in fair value are recognised in profit or loss.

##### **Impairment**

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Group applies the simplified approach permitted by AASB, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

#### q) Trade and other payables

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group 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.

#### r) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

#### s) Employee benefits

##### *(i) Wages salaries, annual leave and sick leave*

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

# Notes to the Financial Statements

## For the year ended 30 June 2021

### Note 2: Summary of significant accounting policies (continued)

#### s) Employee benefits (continued)

##### *(ii) Long service leave and other employment entitlements*

The liability for long service leave and other employment entitlements is recognised and 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 currencies that match, as closely as possible, the estimated future cash outflows.

#### t) Contributed equity

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

#### u) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit or loss attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends);
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares, divided by the weighted average of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

#### v) Share-based payment transactions

##### *(i) Equity settled transactions*

The Group provides benefits to directors, employees and other parties in the form of share-based payment transactions, whereby directors, employees and other parties render services in exchange for shares or rights over shares ('equity-settled transactions').

There are currently two plans in place to provide these benefits:

- The Employee Option Incentive Scheme, which provides benefits to directors, executives and other parties; and
- The Employee Share Ownership Plan, which provides benefits to all employees, excluding KMP.

The cost of these equity-settled transactions with directors, employees and consultants is measured by reference to the fair value of the equity instrument at the date at which they are granted. The fair value is determined by using the Black-Scholes model, further details where applicable are given in note 27. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of GWR Group Limited ('market conditions') if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

At each subsequent reporting date until vesting, the cumulative charge to the consolidated statement of profit or loss and other comprehensive income is the product of the grant date fair value of the award; (ii) the current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met; and (iii) the expired portion of the vesting period.

The charge to the income statement for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding credit to equity.

# Notes to the Financial Statements

## For the year ended 30 June 2021

### Note 2: Summary of significant accounting policies (continued)

#### v) Share-based payment transactions (continued)

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were modification of the original award, as described in the previous paragraph. The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

#### (ii) Cash settled transactions

The Group also provides benefits to various parties in the form of cash-settled share based payments, whereby the various parties provides goods and services in exchange for cash, the amounts of which are determined by reference to movements in the price of the shares of GWR Group Limited. The ultimate cost of these cash-settled transactions will be equal to the actual cash paid to the various parties, which will be the fair value at settlement date.

The cumulative cost recognised until settlement is a liability and the periodic determination of this liability is as follows:

- At each reporting date between grant and settlement, the fair value of the award is determined;
- During the vesting period, the liability recognised at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period;
- From the end of the vesting period until settlement, the liability recognised is the full fair value of the liability at the reporting date; and
- All changes in the liability are recognised in profit or loss for the period.

The fair value of the liability is determined, initially and at each reporting date until it is settled, by applying a Black-Scholes option pricing model, taking into account the terms and conditions on which the award was granted, and the extent to which employees have rendered service to date (see note 27).

#### w) Comparative figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

#### x) Impairment of assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets of groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing the 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. Impaired losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at a revalued amount (in which case the impairment loss is treated as a revaluation decrease).

# Notes to the Financial Statements

## For the year ended 30 June 2021

### Note 2: Summary of significant accounting policies (continued)

#### x) Impairment of assets (continued)

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increase amount cannot 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 profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

#### y) Fair value measurements

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly (ie enforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (ie the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs). For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instruments, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

#### *Valuation techniques*

In the absence of an active market for an identical asset or liability, the Group selects and uses one or more valuation techniques to measure the fair value of the asset or liability. The Group selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Group are consistent with one or more of the following valuation approaches:

- Market approach: valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities;
- Income approach: valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value; and
- Cost approach: valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

# Notes to the Financial Statements

## For the year ended 30 June 2021

### Note 2: Summary of significant accounting policies (continued)

#### y) Fair value measurements (continued)

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Group gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

#### *Fair value hierarchy*

AASB 13 requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

#### *Level 1*

Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

#### *Level 2*

Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

#### *Level 3*

Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

The Group would change the categorisation within the fair value hierarchy only in the following circumstances:

- (i) if a market that was previously considered active (Level 1) became inactive (Level 2 or Level 3) or vice versa; or
- (ii) if significant inputs that were previously unobservable (Level 3) became observable (Level 2) or vice versa.

When a change in the categorisation occurs, the Group recognises transfers between levels of the fair value hierarchy (i.e. transfers into and out of each level of the fair value hierarchy) on the date the event or change in circumstances occurred.

#### z) Going concern

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

For the year ended 30 June 2021, the Group has recorded a consolidated profit after tax of \$7,468,510 and net cash inflows from operating and investing activities of \$18,514,855. As at 30 June 2021 the Group had \$23,713,605 in cash and cash equivalents and net current assets of \$16,222,723.

# Notes to the Financial Statements

## For the year ended 30 June 2021

### Note 3: Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise cash, short term deposits, trade and other receivables, available for sale investments, trade and other payables and interest bearing liabilities.

The Group's activities expose it to a variety of financial risks: market risk (including interest rate risk), credit risk and liquidity risk. The Group's activities, which mainly comprise of exploration and evaluation work that occurs solely within Australia, do not expose it, at this time, to any foreign currency risk or price risk.

The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize the potential adverse effects on the financial performance of the Group. The main risks arising from the Group's financial instruments are market risk (e.g. interest rate risk and price risk), credit risk and liquidity risk.

The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate and assessment of market forecasts for interest rates. The Group manages credit risk by only dealing with recognised, creditworthy, third parties and liquidity risk is monitored through the development of future rolling cash flow forecasts.

The Board reviews and agrees procedures for managing each of these risks as summarised below. Primary responsibility for identification and control of financial risks rests with management under the procedures approved by the Board. The Board reviews management's processes for managing each of the risks identified below including future cash flow forecast projections.

### Risk exposures and responses

#### Market risk

##### *Investment price risk*

The Group's listed investments are susceptible to market risk arising from uncertainties about its future value. This risk is managed by investing decisions conducted by a committee and the Board.

##### *Interest rate risk*

The Group's exposure to market interest rates relates primarily to the Group's interest-bearing cash and cash equivalents and other financial assets. The Group also holds small amounts of cash and cash equivalents in non-interest bearing accounts for immediate use. Trade and other receivables disclosed in note 11 and Trade and other payables disclosed in note 18 are non-interest bearing.

At balance date, the Group had the following mix of financial assets exposed to variable interest rate risk:

|                                      | Consolidated      |                  |
|--------------------------------------|-------------------|------------------|
|                                      | 2021              | 2020             |
|                                      | \$                | \$               |
| <b>Financial assets</b>              |                   |                  |
| Cash and cash equivalents            | 23,713,605        | 1,381,137        |
| Trade and other receivables          | 2,324,582         | 21,611           |
| Other financial assets (non-current) | 2,110,000         | 121,008          |
|                                      | <u>28,148,187</u> | <u>1,523,756</u> |

# Notes to the Financial Statements

## For the year ended 30 June 2021

### Note 3: Financial Risk Management Objectives and Policies (continued)

#### Risk exposures and responses (continued)

The Group's policy is to manage its finance costs using a mix of fixed and variable rate debt. The Group regularly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing and the mix of fixed and variable interest rates.

The following sensitivity analysis is based on the interest rate exposures in existence at the balance sheet date after taking into account judgements by management of reasonably possible movements in interest rates after consideration of the views of market commentators over the next twelve months. At 30 June 2021, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax loss and equity would have been affected as follows:

|                          | Post tax loss  |         | Equity         |         |
|--------------------------|----------------|---------|----------------|---------|
|                          | Higher/(lower) |         | Higher/(lower) |         |
|                          | 2021           | 2020    | 2021           | 2020    |
|                          | \$             | \$      | \$             | \$      |
| <b>Consolidated</b>      |                |         |                |         |
| +0.50% (50 basis points) | 118,568        | 7,511   | 118,568        | 7,511   |
| -0.25% (25 basis points) | (59,284)       | (3,755) | (59,284)       | (3,755) |

#### Credit risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, trade and other receivables and other financial assets. The Group's exposure to credit risk arises from potential default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. Exposure at balance date is addressed in each applicable note. The Group does not hold any credit derivatives to offset its credit exposure. The Group only trades with recognised, creditworthy third parties, and as such collateral is not requested, nor it is the Group's policy to securitise its trade and other receivables.

Financial instruments held by the Group are spread amongst a number of financial institutions all of which have credit ratings of AA or better, to minimise the risk of counterparty default. At balance date the cash and cash equivalents are held on account with two of the "big four" Australia banks. Financing and investing decisions are conducted by a committee and the Board. This includes an appropriate level of due diligence by the committee and the Board to determine the credit risk of the investment or financing decision prior to the commitment being undertaken by the Group.

The Group currently has only one customer and therefore is subjected to credit risk.

#### Liquidity risk

Liquidity risk arises from the financial liabilities of the Group and the Group's subsequent ability to meet their obligations to repay their financial liabilities as and when they fall due. The Group regularly monitors forecasts and actual cash flows and the maturity profiles of its financial assets and liabilities to manage its liquidity risk. The remaining contract maturities of the Group's financial liabilities are set out as follows:

|                 | Consolidated      |                |
|-----------------|-------------------|----------------|
|                 | 2021              | 2020           |
|                 | \$                | \$             |
| 1 month or less | 23,094,474        | 126,692        |
| Over 1 month    | 1,272,673         | 184,443        |
|                 | <u>24,367,147</u> | <u>311,135</u> |

At balance date the Group had cash and cash equivalents of \$23,713,605 (2020: \$1,381,137) for its immediate use or within one month.



# Notes to the Financial Statements

## For the year ended 30 June 2021

### Note 3: Financial Risk Management Objectives and Policies (continued)

#### Risk exposures and responses (continued)

##### Fair value

The methods for estimating fair value are outlined in the relevant notes to the financial statements. The fair values of financial assets and liabilities are approximately their carrying values.

The fair value of financial instruments as well as the methods used to estimate the fair value are summarised in the tables below.

|                                      | Quoted market price<br>(Level 1) | Valuation technique:<br>market observable inputs<br>(Level 2) | Valuation technique:<br>non-market observable inputs<br>(Level 3) | Total            |
|--------------------------------------|----------------------------------|---|---|------------------|
|                                      | \$                               | \$  | \$  | \$               |
| <b>30 June 2021</b>                  |                                  |   |   |                  |
| <b>Financial Assets</b>              |                                  |   |   |                  |
| Investment in listed securities      | 677,346                          | -   | -   | 677,346          |
| Other financial assets (non-current) | -                                | 2,110,000   | -   | 2,110,000        |
| <b>Total financial assets</b>        | <b>677,346</b>                   | <b>2,110,000</b>  | <b>-</b>  | <b>2,787,346</b> |
| <b>30 June 2020</b>                  |                                  |   |   |                  |
| <b>Financial Assets</b>              |                                  |   |   |                  |
| Investment in listed securities      | 402,000                          | -   | -   | 402,000          |
| Other financial assets (non-current) | -                                | 121,008   | -   | 121,008          |
| <b>Total financial assets</b>        | <b>402,000</b>                   | <b>121,008</b>  | <b>-</b>  | <b>523,008</b>   |

##### Equity price risk

Price risk arises from investments in equity securities. All significant equity investments held by the Group are publicly traded on the ASX. The price risk for listed securities is material in terms of the possible impact on profit and loss or total equity and as such a sensitivity analysis is completed below. The capacity of the Company to raise capital from time to time may be influenced by either or both market conditions and the price of the Company's quoted shares at that time.

At balance date, the Group is exposed to a securities equity price risk on its investments as noted above. The Group's exposure to share price movement is set out in the following tables:

|                     | Post tax loss<br>Higher/(lower) |          | Equity<br>Higher/(lower) |          |
|---------------------|---------------------------------|----------|--------------------------|----------|
|                     | 2021                            | 2020     | 2021                     | 2020     |
|                     | \$                              | \$       | \$                       | \$       |
| <b>Consolidated</b> |                                 |          |                          |          |
| +20%                | 135,469                         | 80,400   | 135,469                  | 80,400   |
| -20%                | (135,469)                       | (80,400) | (135,469)                | (80,400) |

##### Commodity price risk

Price risk relates to the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices largely due to demand and supply factors for commodities. The Group is exposed to gold, tungsten and iron ore commodity price risk. These commodity prices can be volatile and influenced by factors beyond the Company's control. No hedging or derivative transactions have been used to manage commodity price risk. Furthermore, the Company is subject to royalties which is impacted by the prevailing commodity price.

Commodity price risk also significantly impacts the operations of the Group, as the commodity price (iron ore spot price) has deteriorated significantly after year end to result in the suspension of mining operations.



# Notes to the Financial Statements

## For the year ended 30 June 2021

### Note 3: Financial Risk Management Objectives and Policies (continued)

#### Foreign currency risk

The Group is exposed to foreign currency risk on sales that are denominated in a currency other than the Australian dollar, and assets denominated in currencies other than the Australian dollar. The Group is primarily exposed to changes in USD/\$ exchange rates for the year ended 30 June 2021, primarily through its USD-denominated bank account balances. During the year the Group entered into forward currency hedging arrangements with the Group's banking institutions. As at 30 June 2021, there were no outstanding hedging arrangements in place (2020: nil).

|  | Consolidated |      |
|--|--------------|------|
|  | 2021         | 2020 |
|  | \$           | \$   |
| Cash and cash equivalents – denominated in USD | 4,024,739    | -    |
|  | 4,024,739    | -    |

The following sensitivity analysis is based on the foreign currency exposures in existence at the balance sheet date after taking into account judgements by management of reasonably possible movements in foreign exchange after consideration of the views of market commentators over the next twelve months. At 30 June 2021, if foreign exchange rates had moved, as illustrated in the table below, with all other variables held constant, post tax loss and equity would have been affected as follows:

|                          | Post tax loss  |      | Equity         |      |
|--------------------------|----------------|------|----------------|------|
|                          | Higher/(lower) |      | Higher/(lower) |      |
|                          | 2021           | 2020 | 2021           | 2020 |
|                          | \$             | \$   | \$             | \$   |
| <b>Consolidated</b>      |                |      |                |      |
| +0.50% (50 basis points) | 20,124         | -    | 20,124         | -    |
| -0.25% (25 basis points) | (10,062)       | -    | (10,062)       | -    |

### Note 4: Significant accounting judgements, estimates and assumptions

#### a) Significant accounting judgements

In the process of applying the Group's accounting policies management has the following significant accounting judgements apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements.

##### *Determination of mineral resources and ore reserves*

The Group reports its mineral resources and ore reserves, apart from the Hatches Creek Project, in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, 2004 Edition ('the JORC code') as a minimum standard. The mineral resources for the Hatches Creek Project have been prepared in accordance with JORC 2012. The information on mineral resources and ore reserves were prepared by or under the supervision of Competent Persons as defined in the JORC code.

There are numerous uncertainties inherent in estimating mineral resources and ore reserves and assumptions that are valid at the time of estimation may change significantly when new information becomes available. Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and may, ultimately, result in reserves or resources being restated.

#### b) Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

# Notes to the Financial Statements

## For the year ended 30 June 2021

### Note 4: Significant accounting judgements, estimates and assumptions (continued)

#### *Share-based payment transactions*

The Group measures the cost of equity-settled and cash-settled transactions by reference to the fair value of the goods or services received in exchange if it can be reliably measured. If the fair value of the goods or services cannot be reliably measured, the costs is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Black-Scholes model and the assumptions and carrying amount at the reporting date, if any, is disclosed in note 27.

#### *Impairment of capitalised acquisition costs on exploration and evaluation projects*

Acquisition costs incurred in acquiring exploration assets are carried forward where right of tenure of the area of interest is current. These costs are carried forward in respect of an area that has not at balance sheet date reached a stage that permits reasonable assessment of the existence of economically recoverable reserves. The future recoverability of these costs is dependent on a number of factors, including whether the Group decides to exploit the related lease itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale. Factors that could impact the future recoverability include the level of reserves and resources, future technological changes, which could impact the cost of mining, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices. To the extent these capitalised costs are determined not to be recoverable in the future, profits and net assets will be reduced in the period in which this determination is made.

#### *Deferred taxation*

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, base level of future taxable profits together with future tax planning strategies.

#### *Environmental rehabilitation provisions*

A provision has been made for the present value of anticipated costs for future restoration of mineral leases. The provision includes future cost estimates associated with rehabilitating areas of disturbance caused through the exploration and mining activities of the Group. The calculation of this provision requires assumptions such as the timing and cost estimates.

#### *Pre-commencement of commercial production – C4 Iron Ore operations*

Throughout the year, the progress of the C4 Iron Ore operations was reviewed regularly to determine if the commercial production stage had commenced.

The assessment considered the following:

- i. All major capital expenditures to bring the mine to the condition necessary for it to be capable of operating in the manner intended by the Group have been completed;
- ii. The crushing facilities and other related infrastructure are capable of running at their designed capacities;
- iii. Mining operations have reached a sufficient stage that their production levels have the ability to sustain the ongoing production of ore for transport at the required volumes; and
- iv. Transport infrastructure and haulage are capable of running at the intended capacity and to meet the output volumes of the mining and processing operations.

The assessment concluded that the commercial production stage was deemed to have commenced in March 2021, shortly after the first shipment of ore was despatched.

During the commissioning phase (before commencement of commercial production) expenditure was capitalised to mine development costs. Revenue from the sale of ore during this phase was treated as pre-production income and was credited against capitalised mine development costs.

# Notes to the Financial Statements

## For the year ended 30 June 2021

### Note 4: Significant accounting judgements, estimates and assumptions (continued)

#### Mine properties

Ore reserves are estimates of the quantum of ore that can be economically and legally extracted from the Group's mining properties. The Group estimates its Ore Reserves and Mineral Resources based on information compiled by appropriately qualified persons relating to the geological data on the size, depth, and shape of the ore body and this requires complex geological judgements to interpret data. The estimation of recoverable reserves is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements, and production costs along with geological assumptions and judgements made in estimating the size and grade of the ore body. Changes in the reserve or resource estimates may impact upon the carrying value of exploration and evaluation assets, mine properties, property, plant and equipment, goodwill, provision for rehabilitation, recognition of deferred assets, and depreciation and amortisation charges.

#### Inventories

Accounting for inventories involves the use of estimates, particularly the measurement and valuation of inventory on hand. Critical estimates including pit volumes and density are calculated by consultants using available industry, engineering and scientific data.

### Note 5: Segment information

#### Determination and identification of reportable segment

AASB 8 Operating Segments requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Operating Decision Maker in order to allocate resources to the segment and to assess its performance.

The Group's operating segments have been determined with reference to the monthly management accounts used by the Chief Operating Decision maker to make decisions regarding the Group's operations and allocation of working capital. The executive management team has been determined as the Chief Operating Decision Maker.

Based on the quantitative thresholds included in AASB 8, there is currently one geographical segment, being Western Australia, and three reportable segments, being Mining Operations, Exploration Activities and Corporate-related operations. During the year ended 30 June 2020 there was only one reportable segment, being Exploration Activities. Accordingly, the comparative segment information is not included in the table below as it is the same as that disclosed in the Consolidated Statement of Profit or Loss and other Comprehensive Income and the Consolidated Statement of Financial Position.

#### Segment information

The following tables present revenue and profit information and certain asset and liability information regarding reportable segments for the year ended 30 June 2021.

|  | Mining       | Exploration | Corporate  | Discontinued Operations<br>(Note 33) | Total        |
|--|--------------|-------------|------------|--------------------------------------|--------------|
|  | \$           | \$          | \$         | \$                                   | \$           |
| Segment revenue                                      | 71,533,770   | -           | 1,046,519  | -                                    | 72,580,289   |
| Segment profit / (loss)<br>before income tax expense | 9,972,710    | (554,911)   | (382,818)  | (1,566,471)                          | 7,468,510    |
| Segment assets                                       | 16,531,192   | 6,329,379   | 25,370,375 | 838,746                              | 49,069,692   |
| Segment liabilities                                  | (25,239,390) | (143,329)   | (899,454)  | (349,778)                            | (26,631,951) |

# Notes to the Financial Statements

## For the year ended 30 June 2021

### Note 6: Revenue

|  | Consolidated |      |
|--|--------------|------|
|  | 2021         | 2020 |
|  | \$           | \$   |

#### (a) Ore Sales

|  |                   |          |
|--|-------------------|----------|
| Sales of iron ore from C4 project                          | 82,065,359        | -        |
| Commissioning phase of operations revenue offset (Note 15) | (10,531,589)      | -        |
|  | <u>71,533,770</u> | <u>-</u> |

All revenue from iron ore sales is recognised at a point in time when control transfers as goods are physically transferred, being when the shipment of iron ore is loaded and the ship departs port.

This revenue is measured at the amounts to which the Group expects to be entitled, being the estimate of the price expected to be received upon final settlement of the sale to which a shipment relates. A portion of the total sale was received upon despatch, with the remaining settlement retained until after the shipment had arrived in its destination port and was surveyed for tonnage and grade.

|  | Consolidated |      |
|--|--------------|------|
|  | 2021         | 2020 |
|  | \$           | \$   |

#### (b) Other Revenue

|   |                  |                  |
|---|------------------|------------------|
| JWD Mining Rights income (c)                    | 625,000          | 500,000          |
| Rental income                                   | 8,848            | 5,200            |
| Gain on disposal of subsidiary (Note 34)        | -                | 325,811          |
| Sale of Tungsten Mining NL unlisted options (d) | -                | 875,000          |
| Gain on revaluation of investments (Note 16)    | 307,885          | 52,000           |
| Foreign exchange gain                           | 5,062            | -                |
| Gain on sale of investment in eMetals (Note 16) | 28,571           | -                |
| Government grant – cash flow boost              | 67,500           | 50,000           |
| Interest income                                 | 2,981            | 22,495           |
| Other sundry income                             | 672              | -                |
|   | <u>1,046,519</u> | <u>1,830,506</u> |

#### (c) JWD Mining Rights income

During the prior period, a Mining Rights Agreement agreement was executed with Gold Valley Iron Ore Pty Ltd (“Gold Valley”) for mining of up to 3 million tonnes of iron ore from the JWD Deposit at the Wiluna West Iron Ore Project. During the current year, Gold Valley sold their interest in this agreement to Fe Limited (ASX: FEL).

The mining rights agreement is in two stages, as follows:

- Stage 1 – FEL has the right to mine and truck of up to 300,000 tonnes; and
- Stage 2 – option held by FEL to mine and truck a further 2.7 million tonnes, with the ability to mine and truck additional tonnes from the JWD deposit beyond this at a flat royalty rate.

If certain conditions precedent are met, the Group will earn payments from FEL, as follows:

- Stage 1 - \$250,000 on the execution of the Mining Rights Agreement and staged payments totalling \$750,000 which are paid in six quarterly payments of \$125,000 commencing at the end of the quarter that the Project Management Plan is approved by the Department of Mines, Industry Regulation and Safety; and
- Stage 2 – upon FEL exercising the option to mine and truck a further 2.7 million tonnes, immediate payment of \$4,250,000.

# Notes to the Financial Statements

## For the year ended 30 June 2021

### Note 6: Revenue (continued)

Additionally, and for both stages, the agreement provides for a production royalty linked to the iron ore price, which provides cash payments to the Group in the range of \$1.00 to \$2.00 per tonne, depending on the iron ore price.

During the current year, the Group received four quarterly payments of \$125,000 each as well as an additional \$125,000 option fee for FEL to vary the agreement.

During the previous year, the Group received the initial payment of \$250,000 upon execution of the agreement, plus two payments of \$125,000 each with respect to the quarterly payments to be made under Stage 1 above, totalling \$500,000.

|   | Consolidated |         |
|---|--------------|---------|
|   | 2021         | 2020    |
|   | \$           | \$      |
| <b>(d) Sale of Tungsten Mining NL unlisted options</b>    |              |         |
| Tungsten Mining Limited unlisted options sold (Note 6(b)) | -            | 875,000 |
|   | -            | 875,000 |

During the previous year, the Group disposed of 8,750,000 unlisted options in Tungsten Mining NL ("TGN"), that were exercisable at \$0.03 on or before 31 December 2019 for total consideration of \$875,000.

### Note 7: Expenses

|   | Consolidated |         |
|---|--------------|---------|
|   | 2021         | 2020    |
|   | \$           | \$      |
| <b>(a) Costs of sales</b>                       |              |         |
| Production costs                                | 70,705,345   | -       |
| Royalties                                       | 5,610,232    | -       |
| Direct marketing and administration costs       | 144,077      | -       |
| Amortisation of mine properties (Note 15)       | 2,905,604    | -       |
| (Increase) in inventories (Note 15)             | (15,360,836) | -       |
| Less: Commissioning costs capitalised (Note 15) | (10,531,589) | -       |
|   | 53,472,833   | -       |
| <b>(b) Personnel expenses</b>                   |              |         |
| Salary and wages                                | 576,156      | 649,791 |
| Superannuation                                  | 21,468       | 37,055  |
| Other employee expenses                         | 63,162       | 39,210  |
|   | 660,786      | 726,056 |
| <b>(c) Other expenses</b>                       |              |         |
| Administration costs                            | 187,719      | 243,188 |
| Corporate costs                                 | 186,736      | 154,059 |
| Consulting fees                                 | 248,590      | 85,550  |
| Occupancy costs                                 | 145,506      | 164,430 |
|   | 768,551      | 647,227 |

# Notes to the Financial Statements

## For the year ended 30 June 2021

### Note 8: Income tax

|  | Consolidated |      |
|--|--------------|------|
|  | 2021         | 2020 |
|  | \$           | \$   |

A reconciliation of income tax expense applicable to accounting profit / (loss) before income tax at the statutory income tax rate to income tax expense at the company's effective income tax rate is as follows:

|   |             |             |
|---|-------------|-------------|
| Accounting profit / (loss) before income tax  | 7,468,510   | (2,200,899) |
| At the statutory income tax rate of 26% (2020: 27.5%)                                       | 1,941,813   | (605,247)   |
| Non-deductible expenditure  | 16,875      | 114         |
| Non-assessable income   | (13,000)    | (160,624)   |
| Adjustments recognised in the current year in relation to the current tax of previous years | 7,590       | -           |
| Impact from change in tax rate of unrecognised deferred tax assets                          | 1,426,285   | 1,641,854   |
| Temporary differences that would have been recognised in equity                             | (51,616)    | (570)       |
| Tax loss and temporary differences not brought to account as a deferred tax asset           | (3,327,947) | (875,527)   |
| At the effective income tax rate of 0% (2020: 0%)   | -           | -           |

The tax rate used in the above reconciliation is the corporate tax rate of 26% payable by Australian corporate entities on taxable profits under Australian tax law. The following calculation of unrecognized deferred tax assets and liabilities has been determined using an expected tax rate of 26%, which is the rate that is likely to apply when these assets and liabilities are realised. These unrecognized assets and liabilities were calculated using the previous years' tax rate of 27.5% in the previous financial year, resulting in a net reduction of \$1,426,285 (2020: \$1,641,854) as noted above.

|  | Consolidated |      |
|--|--------------|------|
|  | 2021         | 2020 |
|  | \$           | \$   |

#### Unrecognised deferred tax assets (liabilities)

*Deferred tax assets have not been recognised for the following items:*

|                               |            |            |
|-------------------------------|------------|------------|
| Trade & other receivables     | 43,508     | -          |
| Prepayments                   | 750,000    | -          |
| Intangible assets             | 2,682,859  | -          |
| Financial assets              | 4,074,810  | -          |
| Employee benefit liabilities  | 64,837     | 136,993    |
| Trade and other payables      | 55,909     | 85,230     |
| Allowance for impairment loss | -          | 4,325,447  |
| Unused tax losses             | 28,320,003 | 37,068,990 |
| Other future deductions       | 41,700     | 3,929      |
| Deferred tax assets           | 36,033,626 | 41,620,589 |

# Notes to the Financial Statements

## For the year ended 30 June 2021

### Note 8: Income tax (continued)

|  | Consolidated |             |
|--|--------------|-------------|
|  | 2021         | 2020        |
|  | \$           | \$          |
| <i>Deferred tax liabilities have not been recognised in respect of the following items</i> |              |             |
| Trade & other receivables  | -            | (525)       |
| Capitalised exploration & evaluation expenditure   | -            | (1,984,094) |
| Prepayments  | -            | (3,819)     |
| Provisions   | (370,412)    | -           |
| Plant and equipment  | (6,093)      | (1,856)     |
| Deferred tax liabilities   | (376,505)    | (1,990,294) |
| Net unrecognised deferred tax asset  | 35,657,121   | 39,630,295  |

Net deferred tax assets have not been recognised because it is not yet probable that future taxable profit will be available against which the Group can utilise the benefits. The Group's carried forward tax losses at balance date are \$113,280,011 (2020: \$142,573,039).

#### Tax consolidation

The Company and its 100% owned controlled entities have formed a tax consolidated group. Members of the consolidated entity have entered into a tax sharing agreement and a tax funding agreement. The head entity of the tax consolidated group is GWR Group Limited. The tax funding agreement provides for the allocation of current taxes to members of the tax consolidated group. Deferred taxes are allocated to members of the tax consolidated group in accordance with a group allocation approach which is consistent with the principle of AASB 112 Income Taxes.

### Note 9: Gain / (Loss) per share

The following reflects the income and data used in the calculations of basic and diluted gain / (loss) per share:

|   | Consolidated |             |
|---|--------------|-------------|
|   | 2021         | 2020        |
|   | \$           | \$          |
| Profit / (Loss) used in calculating basic and diluted gain / (loss) per share:                |              |             |
| - From continuing operations  | 9,034,981    | (2,200,899) |
| - From discontinued operations (refer Note 33)  | (1,566,471)  | -           |
| - From continuing and discontinued operations   | 7,468,510    | (2,200,899) |
|   | No.          | No.         |
| Weighted average number of ordinary shares used in calculating basic gain / (loss) per share: | 296,693,629  | 254,171,243 |
| Basic gain / (loss) per share in cents:   |              |             |
| - from continuing operations  | 3.05         | (0.87)      |
| - from discontinued operations  | (0.53)       | -           |
| - from continuing and discontinued operations   | 2.52         | (0.87)      |

All potential ordinary shares are considered anti-dilutive as the average share price over the year was less than the exercise price of the options.

# Notes to the Financial Statements

## For the year ended 30 June 2021

### Note 10: Cash and cash equivalents

|               | Consolidated      |                  |
|---------------|-------------------|------------------|
|               | 2021              | 2020             |
|               | \$                | \$               |
| Cash at bank  | 23,713,605        | 881,137          |
| Term deposits | -                 | 500,000          |
|               | <u>23,713,605</u> | <u>1,381,137</u> |

### Note 11: Trade and other receivables

|                        | Consolidated     |               |
|------------------------|------------------|---------------|
|                        | 2021             | 2020          |
|                        | \$               | \$            |
| Trade receivables      | 7,797            | 13,408        |
| Accrued interest       | -                | 1,560         |
| Goods and services tax | 2,210,356        | 6,643         |
| Prepayments            | 646,287          | 14,686        |
| Other receivables      | 106,429          | 8,120         |
|                        | <u>2,970,869</u> | <u>44,417</u> |

As of 30 June 2021, there were no trade and other receivables that have been determined as impaired or past due (2020: Nil).

### Note 12: Inventories

|                                | Consolidated      |          |
|--------------------------------|-------------------|----------|
|                                | 2021              | 2020     |
|                                | \$                | \$       |
| Ore stockpiles – at cost       | 15,360,836        | -        |
| Less: Provision for impairment | (3,000,000)       | -        |
|                                | <u>12,360,836</u> | <u>-</u> |

The value of inventories at balance date represents ore stockpiles of 429,764 tonnes of iron ore product in various stages of production (2020: nil).

Inventory quantities are assessed primarily through surveys and assays. Net realisable value tests are performed at each reporting date and represent the estimated future sales price of the product the entity expects to realise when the product is processed and sold, less estimated costs to completed production and bring the product to sale and royalties payable to the state government.

Pilbara Resource Group (“PRG”) has a first registered general security interest over up to 1 million tonnes of the C4 deposit as defined by the mine plan including the C4 stockpile for the purpose of securing payments to PRG under the Alliance Mining Contract.

As a result of the volatility in the iron ore price, on 19 September 2021, the Group suspended mining operations at the C4 iron ore project. While a significant portion of these ore stockpiles held at 30 June 2021 have subsequently been sold, a provision for impairment has been raised to reflect the minimum expected net realisable value less costs to sell of the remaining stockpiles.



# Notes to the Financial Statements

## For the year ended 30 June 2021

### Note 13: Plant and equipment

|   | Consolidated  |               |
|---|---------------|---------------|
|   | 2021          | 2020          |
|   | \$            | \$            |
| Plant and equipment at cost                                     | 1,846,175     | 1,849,991     |
| Less: accumulated depreciation                                  | (1,794,086)   | (1,799,691)   |
|   | <u>52,089</u> | <u>50,300</u> |
| Motor vehicles at cost  | 192,919       | 192,919       |
| Less: accumulated depreciation                                  | (180,216)     | (177,486)     |
|   | <u>12,703</u> | <u>15,433</u> |
| Leasehold improvements at cost                                  | 14,669        | 14,669        |
| Less: accumulated depreciation                                  | (10,550)      | (9,492)       |
|   | <u>4,119</u>  | <u>5,177</u>  |
| Total plant and equipment                                       | <u>68,911</u> | <u>70,910</u> |
| <i>Reconciliation of the carrying amounts is set out below:</i> |               |               |
| <b>Plant and Equipment</b>                                      |               |               |
| Carrying amount at beginning of year                            | 50,300        | 76,329        |
| Additions   | 2,472         | -             |
| Disposals (net of write-back of depreciation)                   | -             | (5,000)       |
| Depreciation expense  | (683)         | (21,029)      |
| Carrying amount at end of year                                  | <u>52,089</u> | <u>50,300</u> |
| <b>Motor vehicles</b>   |               |               |
| Carrying amount at beginning of year                            | 15,433        | 19,007        |
| Depreciation expense  | (2,730)       | (3,574)       |
| Carrying amount at end of year                                  | <u>12,703</u> | <u>15,433</u> |
| <b>Leasehold improvements</b>                                   |               |               |
| Carrying amount at beginning of year                            | 5,177         | 6,499         |
| Depreciation expense  | (1,058)       | (1,322)       |
| Carrying amount at end of year                                  | <u>4,119</u>  | <u>5,177</u>  |
| Total carrying amount at end of year                            | <u>68,911</u> | <u>70,910</u> |

# Notes to the Financial Statements

## For the year ended 30 June 2021

### Note 14: Exploration and evaluation expenditure

|   | Consolidated |           |
|---|--------------|-----------|
|   | 2021         | 2020      |
|   | \$           | \$        |
| Exploration and evaluation expenditure (a)                      | 6,329,379    | 8,050,275 |
| <i>Reconciliation of the carrying amounts is set out below:</i> |              |           |
| <b>Exploration and evaluation expenditure</b>                   |              |           |
| Carrying amount at beginning of year                            | 8,050,275    | 8,050,275 |
| Transferred to mine properties (refer Note 15)                  | (1,171,896)  | -         |
| Transferred to assets held for sale (refer Note 33)             | (549,000)    | -         |
| Carrying amount at end of year                                  | 6,329,379    | 8,050,275 |

#### (a) Carrying value

The Group capitalises the acquisition costs in accordance with its accounting policy for exploration and evaluation expenditure. The ultimate recoupment of exploration and evaluation expenditure relating to the Group's iron ore and gold projects carried forward is dependent on the successful development for commercial exploitation or sale of the respective mining projects.

### Note 15: Mine Properties

|   | Consolidated |      |
|---|--------------|------|
|   | 2021         | 2020 |
|   | \$           | \$   |
| <b>Mine Properties</b>  |              |      |
| Development expenditure   | 5,591,974    | -    |
| Transferred from exploration and evaluation expenditure         | 1,171,896    | -    |
| <i>Less: accumulated amortisation – development expenditure</i> | (2,905,604)  | -    |
| Commissioning-phase costs capitalised                           | 10,531,589   | -    |
| <i>Less: Commissioning revenue offset (refer Note 6)</i>        | (10,531,589) | -    |
| Right-of-use asset – transfer shed lease (refer Note 19)        | 1,071,625    | -    |
| <i>Less: accumulated depreciation – right of use asset</i>      | (17,860)     | -    |
| <i>Less: provision for impairment</i>                           | (4,912,031)  | -    |
|   | -            | -    |

#### Mine properties

During the year ended 30 June 2021, the Group commenced production at its C4 iron ore project. Accordingly, the portion of the capitalised exploration and evaluation expenditure relating to the Stage 1 C4 iron ore project has been transferred to mine properties.

Furthermore, additional costs were incurred which, up until commercial levels of production was deemed to have been reached in March 2021, were solely related to the commissioning of the mining operations and were classified in their entirety as mine properties assets. These costs, amounting to \$10,531,589 (2020: Nil) were fully offset through the first iron ore sale in February 2021 as noted above.

# Notes to the Financial Statements

## For the year ended 30 June 2021

### Note 15: Mine Properties (continued)

#### *Alliance Mining Contract with Pilbara Resource Group Pty Ltd*

On 13 November 2020 the Group finalised the Alliance Mining Contract with experienced mining contractor Pilbara Resource Group Pty Ltd ("PRG") for the agreed works of development, mining and transport of Stage 1 of the C4 Iron Ore Deposit. Stage 1 covers 1 million tonnes of C4's Mineral Resource estimate of 21.6 million tonnes at 60.7% Fe.

Under the terms of the agreement, the Group is not required to provide any significant upfront capital expenditure, while retaining a 70% share of the total Stage 1 project profit. The remaining 30% is payable to PRG. The Group retains the rights for the ore sales, strategy and timing of Stage 1 mining operations.

The key terms of the agreement are as follows:

- PRG to carry out agreed works incorporating all aspects of operation, including but not limited to, construction of the open pit, haul road and other required facilities and infrastructure, surveying, mining, crushing, screening and transport.
- The Group will undertake mine design, planning and optimisation.
- PRG to provide its own project capital for the purpose of funding its performance under the Alliance Mining Contract.
- The Group will reimburse PRG for contract works and disbursements from the receipts of the first iron ore shipments net of various direct costs.
- The Group may suspend contract works if projected profitability falls below \$10 per tonne.
- The Group is to provide a payment guarantee of up to US\$1.75 million for transport infrastructure investment (Capital Costs) made by PRG. PRG may call on the guarantee within 60 days of the project being suspended or terminated or if the Capital Costs have not been paid within 12 months from the start of the Alliance Mining Contract.
- The Group will grant PRG a first registered general security interest over up to 1 million tonnes of the C4 deposit as defined by the mine plan including the C4 stockpile for the purpose of securing payments to PRG under the Alliance Mining Contract.
- The Group will be responsible for the sales, strategy and timing.

#### *Suspension of mining operations and provision for impairment*

On 19 September 2021, the Group suspended mining operations at the C4 Iron Ore project in response to the volatility surrounding iron ore prices.

As a result of this suspension, it has been determined that a provision for impairment of \$4,912,031 (2020: Nil), being the full value of the carried forward mine properties assets, should be recognised. This represents the current uncertainty surrounding the status of the operations.

### Note 16: Financial assets

|   | Consolidated |         |
|---|--------------|---------|
|   | 2021         | 2020    |
|   | \$           | \$      |
| <i>Current</i>  |              |         |
| Shares held in eMetals Limited – at Fair Value through Profit or Loss (a) | 677,346      | 402,000 |
| <i>Total Current Financial Assets</i>                                     | 677,346      | 402,000 |
| <i>Non-Current</i>  |              |         |
| Security Deposits – amortised cost  | 2,110,000    | 121,008 |
| <i>Total Non-Current Financial Assets</i>                                 | 2,110,000    | 121,008 |
|   | 2,787,346    | 523,008 |

# Notes to the Financial Statements

## For the year ended 30 June 2021

### Note 16: Financial assets (continued)

|  | Consolidated |      |
|--|--------------|------|
|  | 2021         | 2020 |
|  | \$           | \$   |

(a) A reconciliation of the movement in the carrying value of shares held in eMetals Limited during the year is as follows:

|  |          |         |
|--|----------|---------|
| Opening balance  | 402,000  | -       |
| Purchase of eMetals Shares   | -        | 150,000 |
| Received as consideration for the sale of RWG Minerals Pty Ltd (Note 34) | -        | 200,000 |
| Disposal   | (61,110) | -       |
| Gain on sale of investment (Note 6(b))                                   | 28,571   | -       |
| Fair value adjustment (Note 6(b))  | 307,885  | 52,000  |
| Closing balance  | 677,346  | 402,000 |

#### eMetals Limited (formerly Corizon Limited)

During the prior year, eMetals was reinstated to the Australian Securities Exchange and the Group increased their investment of 16,000,000 shares through the purchase of 7,500,000 shares at \$0.02 per share and through 10,000,000 shares at \$0.02 received as consideration for the sale of RWG Minerals Pty Ltd (refer note 34). At 30 June 2020, the Group held 33,500,000 shares in eMetals Limited. This investment is carried at fair value through profit or loss.

During the current financial year, the Group disposed of 2,711,540 shares in eMetals Limited for consideration of \$61,110. As at 30 June 2021, the Group held 30,788,460 shares in eMetals Limited.

### Note 17: Investment in associate

#### Tungsten Mining NL

The Group has a 8.90% (2020: 9.10%) interest in Tungsten Mining NL ("TGN"), which is a listed company on the ASX. TGN is focused on the development and exploitation of tungsten deposits, in particular the Mt Mulgine project in Western Australia.

At balance date the Group held 70,000,000 shares in TGN with a market value of \$9,100,000 at a share price of \$0.13 per share.

As the Group's share of the associate's losses exceeds the initial cost of the investment, during the current year the investment was written down to nil value.

The following table illustrates the summarised financial information of the Group's investment in TGN.

|  | Consolidated     |                  |
|--|------------------|------------------|
|  | 2021             | 2020             |
|  | \$               | \$               |
| Proportion of the Company's ownership                            | 8.90%            | 9.10%            |
| <i>Share of the associate's statement of financial position:</i> |                  |                  |
| Current assets   | 1,755,389        | 2,126,624        |
| Non-current assets   | 2,060,287        | 2,117,200        |
| Total liabilities  | (210,443)        | (191,443)        |
| <b>Equity</b>  | <b>3,605,232</b> | <b>4,052,381</b> |
| Carrying amount of the investment: Opening balance               | -                | 1,006,583        |
| <i>No additions or disposals during the financial year</i>       | -                | -                |
| Total  | -                | <b>1,006,583</b> |

# Notes to the Financial Statements

## For the year ended 30 June 2021

### Note 17: Investment in associate (continued)

|   | Consolidated       |                    |
|---|--------------------|--------------------|
|   | 2021               | 2020               |
|   | \$                 | \$                 |
| <i>Share of the associate's loss</i>                      |                    |                    |
| Revenue   | 72,889             | 105,132            |
| Expenses  | (493,205)          | (1,224,617)        |
| <b>Loss for the year</b>                                  | <b>(420,316)</b>   | <b>(1,119,485)</b> |
| Share of the associate's other comprehensive loss         | -                  | -                  |
| <b>Total comprehensive loss</b>                           | <b>(420,316)</b>   | <b>(1,119,485)</b> |
| Share of loss not recognised                              | 420,316            | 112,902            |
| <b>Carrying amount of the investment: Closing balance</b> | <b>-</b>           | <b>-</b>           |
| <b>Total share of losses of associate</b>                 | <b>(1,426,899)</b> | <b>(1,006,583)</b> |
| <b>Total carrying amount of investment in associate</b>   | <b>-</b>           | <b>-</b>           |

### Note 18: Trade and other payables

|                | Consolidated |         |
|----------------|--------------|---------|
|                | 2021         | 2020    |
|                | \$           | \$      |
| Trade payables | 14,160,016   | 92,578  |
| Other payables | 8,484        | 34,114  |
| Other accruals | 9,147,022    | 184,443 |
|                | 23,315,522   | 311,135 |

Included in Other Accruals is an amount of \$213,548 (2020: \$95,625) of directors fees to be paid through the issue of shares upon receipt of shareholder approval.

### Note 19: Lease liabilities

|                                   | Consolidated |      |
|-----------------------------------|--------------|------|
|                                   | 2021         | 2020 |
|                                   | \$           | \$   |
| <b>(a) Current</b>                |              |      |
| Lease liabilities – transfer shed | 240,000      | -    |
| <b>(b) Non Current</b>            |              |      |
| Lease liabilities – transfer shed | 811,625      | -    |
|                                   | 1,051,625    | -    |

# Notes to the Financial Statements

## For the year ended 30 June 2021

### Note 20: Provisions

|                          | Consolidated |         |
|--------------------------|--------------|---------|
|                          | 2021         | 2020    |
|                          | \$           | \$      |
| <b>(a) Current</b>       |              |         |
| Employee entitlements    | 433,379      | 272,209 |
| <b>(b) Non Current</b>   |              |         |
| Employee entitlements    | -            | 195,429 |
| Rehabilitation provision | 1,481,647    | 115,417 |
|                          | 1,481,647    | 310,846 |
|                          | 1,915,026    | 583,055 |

### Note 21: Contributed equity

|  | 2021          | 2020          | 2021        | 2020        |
|--|---------------|---------------|-------------|-------------|
|  |               |               | \$          | \$          |
| <b>(a) Issued capital</b>  |               |               |             |             |
| 302,786,443 Ordinary fully paid shares (2020: 254,696,219)               |               |               | 158,966,934 | 154,735,910 |
|  | <i>Number</i> | <i>Number</i> | \$          | \$          |
| <i>Movement in ordinary shares on issue</i>                              |               |               |             |             |
| Opening balance  | 254,696,219   | 253,517,438   | 154,735,910 | 154,610,483 |
| Shares issued to Directors and senior management in lieu of cash payment | 2,006,891     | 1,178,781     | 193,698     | 127,500     |
| Placement at \$0.18 per share  | 18,333,333    | -             | 3,300,000   | -           |
| Options exercised  | 27,750,000    | -             | 1,498,500   | -           |
| Listed options issued in lieu of share issue costs                       | -             | -             | (562,650)   | -           |
| Other share issue costs  | -             | -             | (198,524)   | (2,073)     |
| Closing balance  | 302,786,443   | 254,696,219   | 158,966,934 | 154,735,910 |

#### Shares issued to Directors

During the year, in lieu of a cash payment of \$145,439 (2020: \$127,500) for accrued directors fees, shareholders at the 2020 AGM approved the issue of 1,659,295 (2020: 1,178,781) shares to Directors at a weighted average price of \$0.0876 (2020: \$0.1082) per share. Additionally, a total of 347,596 shares were issued to the general manager of the Group to satisfy \$48,259 in deferred salary (2020: Nil) in two tranches. These issues did not require shareholder approval.

#### (b) Capital management

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity.

As the equity market is constantly changing, management may issue new shares to provide for future exploration, evaluation and development activity. Management is currently considering a number of options to fund the development of its mining projects which may include the issue of shares and the borrowing of funds. The Group is not subject to any externally imposed capital requirements.

# Notes to the Financial Statements

## For the year ended 30 June 2021

### Note 22: Reserves

|  | Consolidated  |               |
|--|---------------|---------------|
|  | 2021          | 2020          |
|  | \$            | \$            |
| Options reserve  | 28,512,378    | 26,949,728    |
| <b>Movements:</b>  |               |               |
| <b>Options reserve</b>   |               |               |
| Opening balance  | 26,949,728    | 26,949,728    |
| Options issued in Western Gold Resources Limited (note 27)           | 1,000,000     | -             |
| Options issued to lead manager of placement (note 27)                | 562,650       | -             |
| Closing balance  | 28,512,378    | 26,949,728    |
|  | <i>Number</i> | <i>Number</i> |
| <b>Movement in options on issue – GWR Group Limited</b>              |               |               |
| Opening balance  | 27,750,000    | 27,750,000    |
| Options issued during the year                                       | 12,833,333    | -             |
| Options exercised during the year                                    | (27,750,000)  | -             |
| Closing balance  | 12,833,333    | 27,750,000    |
| <b>Movement in options on issue – Western Gold Resources Limited</b> |               |               |
| Opening balance  | -             | -             |
| Options issued during the year                                       | 10,000,000    | -             |
| Options exercised during the year                                    | -             | -             |
| Closing balance  | 10,000,000    | -             |

#### (a) Summary of options

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options issued during the year:

|                                  | Number       |            | WAEP    |         |
|----------------------------------|--------------|------------|---------|---------|
|                                  | 2021         | 2020       | 2021    | 2020    |
| <b>GWR Group Limited</b>         |              |            |         |         |
| Outstanding at beginning of year | 27,750,000   | 27,750,000 | \$0.054 | \$0.054 |
| Granted during the year          | 12,833,333   | -          | \$0.40  | -       |
| Exercised during the year        | (27,750,000) | -          | \$0.054 | -       |
| Expired during the year          | -            | -          | -       | -       |
| Outstanding at end of year       | 12,833,333   | 27,750,000 | \$0.40  | \$0.054 |
| Exercisable at end of year       | 12,833,333   | 27,750,000 | \$0.40  | \$0.054 |

During the year, 12,833,333 listed options were issued (2020: Nil). 8,250,000 were issued to the lead manager of the placement as part of their lead manager fee, and form part of share-based payments as set out in Note 27 below. The remaining 4,583,333 were issued as free-attaching options to the placement, on a 1 for 4 basis.

# Notes to the Financial Statements

## For the year ended 30 June 2021

### Note 22: Reserves (continued)

|                                       | Number     |      | WAEP   |      |
|---------------------------------------|------------|------|--------|------|
|                                       | 2021       | 2020 | 2021   | 2020 |
| <b>Western Gold Resources Limited</b> |            |      |        |      |
| Outstanding at beginning of year      | -          | -    | -      | -    |
| Granted during the year               | 10,000,000 | -    | \$0.25 | -    |
| Exercised during the year             | -          | -    | -      | -    |
| Expired during the year               | -          | -    | -      | -    |
| Outstanding at end of year            | 10,000,000 | -    | \$0.25 | -    |
| Exercisable at end of year            | -          | -    | -      | -    |

The following table illustrates options that have vested and are exercisable at year end:

|                               | Number outstanding | Number vested and exercisable | Exercise price        | Expiry date | Remaining contractual life |
|-------------------------------|--------------------|-------------------------------|-----------------------|-------------|----------------------------|
| <b>Listed options – GWR</b>   |                    |                               |                       |             |                            |
| <i>Granted on 7 Oct 2021</i>  |                    |                               |                       |             |                            |
| GWROA Listed Options          | 12,833,333         | 12,833,333                    | \$0.40 <sup>(a)</sup> | 1 Oct 2022  | 1.25 years                 |
| <b>Unlisted options – WGR</b> |                    |                               |                       |             |                            |
| <i>Granted on 12 Mar 2021</i> |                    |                               |                       |             |                            |
| Unlisted director options     | 10,000,000         | -                             | \$0.25                | 1 July 2024 | 3.00 years                 |

(a) The exercise price of these options was reduced from \$0.40 to \$0.3762 upon the effective return of capital that occurred on 13 July 2021 as a result of the in-specie distribution of shares held in Western Gold Resources Limited to shareholders.

### Note 23: Accumulated losses

|   | Consolidated  |               |
|---|---------------|---------------|
|   | 2021          | 2020          |
|   | \$            | \$            |
| Opening balance                                       | (172,510,081) | (170,309,182) |
| Profit / (Loss) attributable to members of the Parent | 7,468,510     | (2,200,899)   |
| Closing balance                                       | (165,041,571) | (172,510,081) |



# Notes to the Financial Statements

## For the year ended 30 June 2021

### Note 24: Cash flow statement reconciliation

|  | Consolidated |             |
|--|--------------|-------------|
|  | 2021         | 2020        |
|  | \$           | \$          |
| <b>Reconciliation of net cash and cash equivalents used in operating activities to profit / (loss) after income tax:</b> |              |             |
| Profit / (Loss) after income tax   | 7,468,510    | (2,200,899) |
| Depreciation   | 4,471        | 25,925      |
| Profit on disposal of plant and equipment (Note 13)  | -            | -           |
| Share of loss in associates (Note 17)  | -            | 1,006,583   |
| Profit on sale of financial asset (Note 16)  | (28,571)     | (875,000)   |
| Fair value adjustment on financial assets (Note 16)  | (307,885)    | (52,000)    |
| Income from JWD Mining Rights Agreement  | (625,000)    | -           |
| Bank financing expenses  | 829,894      | -           |
| Profit on sale of RWG Minerals Pty Ltd   | -            | (325,811)   |
| Impairment of mine properties  | 4,086,457    | -           |
| Amortisation of mine properties  | 2,905,604    | -           |
| Directors salary and fees settled in shares  | 193,698      | 127,500     |
| Loss from discontinued operation   | 1,566,471    | -           |
| <i>Movements in assets and liabilities</i>   |              |             |
| (Increase)/Decrease in trade and other receivables and prepayments   | (481,311)    | 2,671       |
| (Increase)/Decrease in inventories   | (12,360,836) | -           |
| Increase/(decrease) in trade and other payables  | 21,566,082   | (160,972)   |
| Increase/(decrease) in provisions  | 1,331,971    | 159,994     |
| Net cash provided by / (used in) operating activities  | 26,149,555   | (2,292,009) |

### Note 25: Related party disclosure

|                             | Country of Incorporation | Equity interest     |      |
|-----------------------------|--------------------------|---------------------|------|
|                             |                          | 2021                | 2020 |
| <b>(a) Subsidiaries</b>     |                          |                     |      |
| Iron West Resources Pty Ltd | Australia                | 100%                | 100% |
| Western Gold Resources Ltd  | Australia                | 100% <sup>(2)</sup> | 100% |
| Wiluna West Gold Pty Ltd    | Australia                | 100% <sup>(2)</sup> | 100% |
| RWG Minerals Pty Ltd        | Australia                | -                   | (1)  |
| NT Tungsten Pty Ltd         | Australia                | 100%                | 100% |

(1) During the previous financial year, RWG Minerals Pty Ltd was sold. Refer to details in Note 34.

# Notes to the Financial Statements

## For the year ended 30 June 2021

### Note 25: Related party disclosure (continued)

(2) On 13 July 2021, the shares held by GWR Group Limited in Western Gold Resources Limited (formerly Western Gold Resources Pty Ltd) were distributed to shareholders and was therefore disposed. Refer Note 33. Wiluna West Gold Pty Ltd is a wholly-owned subsidiary of Western Gold Resources Limited.

#### (b) Ultimate Parent

GWR Group Limited is the ultimate parent of the Group.

#### (c) Associates

##### Tungsten Mining NL (Tungsten)

*Services received from / provided to Tungsten*

The Group received and provided certain services with Tungsten as detailed in the table below.

|  | Consolidated |           |
|--|--------------|-----------|
|  | 2021         | 2020      |
|  | \$           | \$        |
| <i>Services (received from) / provided to Tungsten</i> |              |           |
| Management fees  | -            | (120,000) |
| Staff cost recoveries                                  | (101,335)    | -         |
| Administration and recharges                           | (76)         | (10,324)  |
| Project related costs / reimbursements                 | 20,124       | 39,354    |
| Net income / (expense)                                 | (81,287)     | (90,970)  |

##### *Management and Support Services Agreement with Tungsten*

During the previous year, GWR contracted Tungsten to provide management and support services to GWR for a fee of \$10,000 per month. During the current year, this agreement was revised to provide for reimbursement of direct costs incurred.

At balance date \$21,976 (2020: \$11,000) remains outstanding in payables (inclusive of GST) to Tungsten.

##### *Hatches Creek Project Farm-in Agreement with Tungsten*

The Group has executed a Joint Venture and Farm-in Agreement ("the Agreement") with Tungsten for the Group-owned Hatches Creek Tungsten Project ("the Project") in the Northern Territory. The Agreement provided for an initial cash payment to the Group of \$1.72 million reimbursing the Group for past exploration expenditure in satisfaction for a 20% interest in the Project tenements being transferred to Territory Tungsten Pty Ltd, which is a wholly owned subsidiary of Tungsten.

Under this agreement Tungsten can increase its interest to 51% by further expenditure of \$3,000,000 on exploration, development and mining activities within 5 years of the commencement date ("the Sole Funding Stage") and the Agreement further provides for Tungsten Mining NL to be appointed manager of the Joint Venture and enables the Group to be free carried during the Sole Funding Stage. Should a decision to mine be made by Tungsten during the Sole Funding Stage, Tungsten has been granted an option to attain 100% equity in the project tenements by payment of approximately \$7 million to the Group.

#### (d) Key management personnel

Other than those disclosed in Notes 25(e) and 26, no other transactions with key management personnel occurred during the year.

#### (e) Transactions with related parties

##### *Law Developments Pty Ltd (Law)*

Law is controlled by the Company's Non-executive Deputy Chairman Tan Sri Dato' Tien Seng Law. The Company entered into an office lease agreement with Law at normal commercial terms for the period from 22 August 2014 to 21 August 2016. The agreement is currently operating on a month to month rental basis and the Company, in the current financial year, paid and or incurred \$98,054 including GST (2020: \$154,751) in rental and oncost expenses in relation to this rental agreement. There was \$Nil including GST due or outstanding to Law at balance date (2019: \$21,031).

# Notes to the Financial Statements

## For the year ended 30 June 2021

### Note 25: Related party disclosure (continued)

*Endeavour Corporate Pty Ltd (Endeavour)*

Company Secretary, Mark Pitts is a Partner at corporate advisory firm Endeavour which provides certain accounting services to the Company. The total of these services paid and or incurred was \$54,000 excluding GST (2020: Nil). A total of \$4,500 was due or outstanding to Endeavour in relation to these services at balance date (2020: Nil). Furthermore, during the year Mark Pitts provided consultancy services totalling \$43,906 (2020: Nil) to Western Gold Resources Limited as part of its initial public offering of shares, of which \$35,186 remains outstanding at 30 June 2021 (2020: Nil).

#### (f) Terms and conditions of transactions with related parties

Any outstanding balances at year-end are interest free and have no fixed repayment terms.

### Note 26: Key management personnel disclosures

|  | Consolidated     |                |
|--|------------------|----------------|
|  | 2021             | 2020           |
|  | \$               | \$             |
| <b>Compensation for key management personnel</b> |                  |                |
| Short-term                                       | 759,884          | 887,768        |
| Post-employment                                  | 42,278           | 59,535         |
| Long-term  | 163              | 22,631         |
| Share-based payments (note 27)                   | 500,000          | -              |
|  | <u>1,302,325</u> | <u>969,934</u> |

### Note 27: Share based payments

|   | Consolidated     |          |
|---|------------------|----------|
|   | 2021             | 2020     |
|   | \$               | \$       |
| <b>Continuing operations</b>  |                  |          |
| GWROA listed options – issued to lead manager <sup>1</sup>              | 562,650          | -        |
| GWROA listed options – free-attaching options to placement <sup>2</sup> | -                | -        |
| Total share-based payments – continuing operations                      | <u>562,650</u>   | <u>-</u> |
| <b>Discontinued operations</b>  |                  |          |
| WGR unlisted options – issued to Directors of WGR <sup>1, 3</sup>       | 1,000,000        | -        |
|   | <u>1,562,650</u> | <u>-</u> |

1 - The options issued to the lead manager form part of the share issue costs incurred with respect to the placement, and the options issued to the directors of WGR form part of the loss from discontinued operations.

2 - The free-attaching options are deemed to be issued for nil value, as they form part of the value of equity issued for cash.

3 – Included in this amount are unlisted options issued to Mr G Lyons and Mr T S Wong totalling \$500,000, who are also directors of GWR.

# Notes to the Financial Statements

## For the year ended 30 June 2021

### Note 27: Share based payments (continued)

Both of these issues were valued using the Black-Scholes option pricing model. The following inputs were used in the measurement of the fair values at grant date of these share-based payments:

|                           | Lead Manager Listed Options | WGR Director Options |
|---------------------------|-----------------------------|----------------------|
| Fair value at grant date  | \$0.0682                    | \$0.10               |
| Share price at grant date | \$0.195                     | \$0.20               |
| Exercise price            | \$0.40                      | \$0.25               |
| Expected volatility       | 100%                        | 85%                  |
| Option life               | 2.0 years                   | 3.3 years            |
| Expected dividends        | -                           | -                    |
| Risk-free interest rate   | 0.16%                       | 0.10%                |
| Number of options issued  | 8,250,000                   | 10,000,000           |
| Total value               | \$562,650                   | \$1,000,000          |

Expected volatility is estimated, considering historic average share price volatility.

The total fair value of options issued during the period was \$1,562,650.

The lead manager listed options vested immediately. The WGR director options were granted during the year but were not exercisable until the completion of the IPO.

### Note 28: Remuneration of auditors

|   | Consolidated  |               |
|---|---------------|---------------|
|   | 2021          | 2020          |
|   | \$            | \$            |
| <b>Amount paid or due and payable to Stantons International</b>   |               |               |
| Audit services  | 72,060        | 54,008        |
| Preparation of investigating accountants report for inclusion in the prospectus for the initial public offering of the securities of Western Gold Resources | 10,000        | -             |
|   | <u>82,060</u> | <u>54,008</u> |

The Auditors of the Group are Stantons International. The Auditors did not receive any other benefit during the year.

### Note 29: Commitments for exploration expenditure

#### Annual Tenement expenditure commitments

In order to maintain current rights of tenure to mining tenements, the Group has discretionary minimum annual tenement expenditure requirements and lease rentals of \$1,188,127 (2020: \$1,681,636). During the previous year, a total of \$892,466 was subject to exemptions, resulting in \$789,170 in annual tenement commitments. This discretionary expenditure is capable of being varied from time to time in order to maintain these rights of tenure to mining tenements.

# Notes to the Financial Statements

## For the year ended 30 June 2021

### Note 30: Contingencies

The Group has the following contingencies and commitments as at 30 June 2021:

1. Under the C4 Alliance Mining Contract, the Group is to provide a payment guarantee of up to US\$1.75 million for transport infrastructure investment (Capital Costs) made by PRG. PRG may call on the guarantee within 60 days of the project being suspended or terminated or if the Capital Costs have not been paid within 12 months from the start of the Alliance Mining Contract. Additionally, the Group will grant PRG a first registered GSI over up to 1 million tonnes of the C4 deposit as defined by the mine plan including the C4 stockpile for the purpose of securing payments to PRG under the Alliance Mining Contract.
2. Also, under the C4 Alliance Mining Contract, the Group is to pay to PRG 30% of the total project profit.
3. The Group has an agreement with the Wiluna Martu People for production royalty payments to be payable based on the quantity mined.
4. The Group is party to a Port Access and Services Agreement with Mid West Ports Authority ("MWPA"). This agreement provides the Group with access to and use of Geraldton Port facilities. Under this agreement, certain tariffs and charges are payable to MWPA based on their prevailing commercial rates.
5. The Group is also party to two agreements with Mainroads Western Australia ("MRWA") for the use of highways for the haulage of ore from the C4 mining project to the port of Geraldton. Under this agreement, the Group has been required to provide a performance bond to MRWA totalling \$100,000.
6. As noted in Note 6(c), as part of the Mining Rights Agreement with FE Limited (ASX:FEL), relating to the JWD deposit, FEL is required to make milestone and royalty payments to the Company upon the satisfaction of certain production milestones.

### Note 31: Events after balance date

On 13 July 2021, the Group disposed of its interest in Western Gold Resources Limited. Refer to Note 33 of the financial report for full details.

On 14 July 2021, Macarthur Minerals Limited (ASX:MIO) and the Company signed an agreement to facilitate the mine-gate sale of up to 400,000 tonnes per annum of Direct Shipping Ore ("DSO"), for an initial period of 2 years, with the ability to extend the agreement by an additional 2 years. The sale price will be dependent on prevailing market prices at the date of sale.

On 22 September 2021, the Group announced that it had suspended mining operations at the C4 Iron Ore project on 19 September 2021, in response to the volatile iron ore prices. The Group intends to reassess this suspension after a period of 30 days, after monitoring this volatility. In response to this, the Group has recognised impairment provisions against the values of inventories and mine properties held at 30 June 2021.

Other than the above, there has not arisen in the interval between the end of the financial period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group in the future financial year.

# Notes to the Financial Statements

## For the year ended 30 June 2021

### Note 32: Parent entity disclosures

|   | Parent        |               |
|---|---------------|---------------|
|   | 2021          | 2020          |
|   | \$            | \$            |
| <b>(a) Financial position</b>   |               |               |
| <b>Assets</b>   |               |               |
| Current assets  | 40,741,964    | 1,819,494     |
| Non-current assets  | 8,022,236     | 8,225,867     |
| Total assets  | 48,764,200    | 10,045,361    |
| <b>Liabilities</b>  |               |               |
| Current liabilities   | 24,777,026    | 583,343       |
| Non-current liabilities   | 1,481,648     | 277,157       |
| Total liabilities   | 26,258,674    | 860,500       |
| <b>Equity</b>   |               |               |
| Contributed equity  | 158,966,934   | 154,735,910   |
| Accumulated losses  | (163,973,786) | (172,500,777) |
| Reserves  | 27,512,378    | 26,949,728    |
| Total equity  | 22,505,526    | 9,184,861     |
| <b>(b) Financial performance</b>  |               |               |
| Profit / (loss) for the year  | 8,526,991     | (2,335,296)   |
| Other comprehensive income  | -             | -             |
| Total comprehensive profit / (loss)   | 8,526,991     | (2,335,296)   |
| <b>(c) Contingencies</b>  |               |               |
| The contingencies of the Parent entity are the same as those disclosed for the Group in Note 30.  |               |               |
| <b>(d) Guarantees</b>   |               |               |
| The Company has not entered into any guarantees in relation to the debts of its subsidiaries. The Group has a payment guarantee to PRG as disclosed in Note 30, of which the Parent Entity is a party.  |               |               |
| <b>(e) Commitments for exploration expenditure</b>  |               |               |
| <b>Annual Tenement expenditure commitments</b>  |               |               |
| In order to maintain current rights of tenure to mining tenements, the Company has discretionary minimum annual tenement expenditure requirements and lease rentals of \$1,185,337 (2020: \$1,565,122). During the previous year, a total of \$892,466 was subject to exemptions, resulting in \$672,656 in annual tenement commitments. This discretionary expenditure is capable of being varied from time to time in order to maintain these rights of tenure to mining tenements. |               |               |

# Notes to the Financial Statements

## For the year ended 30 June 2021

### Note 33: Assets Held for Sale

On 13 July 2021, the Group completed the in-specie distribution of its 100% interest in Western Gold Resources Limited ("WGR") to the Company's shareholders. Accordingly, at 30 June 2021, the net assets of Western Gold Resources Limited are considered held for sale in accordance with AASB 5. The "disposal group" comprised Western Gold Resources Limited and its wholly-owned subsidiary at 30 June 2021, Wiluna West Gold Pty Ltd.

The financial details of the disposal group at 30 June 2021 are as follows:

|  | 30 June 2021 |
|--|--------------|
|  | \$           |
| <b>Net assets at 30 June 2021</b>                            |              |
| <i>Assets</i>  |              |
| Cash and cash equivalents                                    | 31,253       |
| Prepayments  | 254,022      |
| Property, plant & equipment                                  | 4,471        |
| Exploration & evaluation expenditure (Note 14)               | 549,000      |
| Total liabilities  | 838,746      |
| <i>Liabilities</i>   |              |
| Trade and other payables                                     | (349,778)    |
| Total liabilities  | (349,778)    |
| Net assets of disposal group                                 | 488,968      |
| <b>Financial performance for the year ended 30 June 2021</b> |              |
| Exploration expenses   | (318,120)    |
| Share based payment expense                                  | (1,000,000)  |
| Personnel expenses   | (73,510)     |
| Other expenses   | (174,841)    |
| Loss from discontinued operation before income tax expense   | (1,566,471)  |
| Income tax expense   | -            |
| Loss from discontinued operation after income tax expense    | (1,566,471)  |

# Notes to the Financial Statements

## For the year ended 30 June 2021

### Note 33: Assets Held for Sale (continued)

|  | 30 June 2021 |
|--|--------------|
|  | \$           |

#### Cash flows

##### *Cash flows from investing activities*

|  |                 |
|--|-----------------|
| Cash reallocated to held-for-sale                  | (31,253)        |
| <i>Net cash flows from discontinued operations</i> | <u>(31,253)</u> |

### Note 34: Disposal of subsidiary

On 15 January 2020, the Group completed the sale of its wholly-owned subsidiary RWG Minerals Pty Ltd to eMetals Limited (ASX:EMT, "eMetals"). As consideration for the sale, the Group received \$42,153 in cash payments and 10,000,000 shares in eMetals, valued at the prevailing price on the date of issue (\$0.02) at \$200,000.

There was no further impact of this transaction during the financial year ended 30 June 2021.

|  | 15 January 2020 |
|--|-----------------|
|  | \$              |

#### Details of the sale of the subsidiary

|                                       |                       |
|---------------------------------------|-----------------------|
| Cash consideration received           | 42,153                |
| Share consideration received          | 200,000               |
| Total sale consideration              | <u>242,153</u>        |
| Carrying amount of net liability sold | <u>(83,658)</u>       |
| Gain on sale before income tax        | <u>325,811</u>        |
| Income tax expense                    | <u>-</u>              |
| Gain on sale after income tax         | <u><u>325,811</u></u> |

#### Net liabilities at date of sale

##### *Liabilities*

|                                 |                        |
|---------------------------------|------------------------|
| Trade and other payables        | <u>(83,658)</u>        |
| Total liabilities               | <u>(83,658)</u>        |
| Net liabilities on date of sale | <u><u>(83,658)</u></u> |



# Directors' Declaration

In accordance with a resolution of the directors of GWR Group Limited, I state that:

1. In the opinion of the directors:

- (a) The financial statements and notes of GWR Group Limited for the financial year ended 30 June 2021 are in accordance with the Corporations Act 2001, including:
  - (i) Giving a true and fair view of the Group's financial position as at 30 June 2021 and of its performance for the year then ended; and
  - (ii) Complying with Accounting Standards (including the Australian Accounting Interpretations) and Corporations Regulations 2001.
- (b) The financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2(b).
- (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.

2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2021.

On behalf of the Directors,



Gary Lyons  
**Chairman**

Dated at Perth, this 30<sup>th</sup> day of September 2021

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GWR GROUP LIMITED

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of GWR Group Limited ("the Company") and its subsidiaries ("Group"), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated 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 Group is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for Opinion

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

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

#### Key Audit Matters

We have defined the following matters to be the key audit matters to be communicated in our report.

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

**Completeness and accuracy of revenue from sale of Iron Ore**

*(Refer to Notes 2(f) and 6(a))*

During the year, the Group commenced production and sale of iron ore from its West Wiluna C4 Iron Ore Project.

For the year ended 30 June 2021 the Group recognised revenue of \$71,533,770 from the sale of iron ore, after adjusting for \$10,531,589 of sales revenue during the commissioning stage, which was offset against capitalised development costs.

The recognition of revenue is a key audit matter as revenue from the sale of iron ore represents a significant balance within the consolidated statement of profit or loss and other comprehensive income. Also, revenue recognition requires compliance with the requirements of AASB 15 *Revenue from Contracts with Customers* ("AASB 15") and AASB 9 *Financial Instruments* ("AASB 9"). These accounting standards require judgements in relation to recognition and assessment of performance obligations under the contract as well as disclosure requirements in relation to these sales.

Inter alia, our audit procedures included the following:

- i. Obtaining the sales contract and assessing the key terms of the sale, including the volume of sales and how the final price was determined;
- ii. For a sample of sales invoices with provisional pricing adjustments recorded in the current year, we ensured pricing adjustments are correctly recorded to agree to the final sales price. We found that the revenue recognised reflected the final prices after price adjustments;
- iii. Discussed with the Board and management of the Group, the completion of commissioning phases and commencement of commercial production; and
- iv. Assessed whether the Group's disclosures met the requirements of the relevant accounting standards.

**Measurement and valuation of Iron Ore inventory**

*(Refer to Notes 2(m) and 12)*

At the reporting date, the Group had significant inventory of iron ore located at the C4 Mine site and at Geraldton Port. The carrying value of the inventory was \$12,360,836 at 30 June 2021 after providing for impairment of \$3,000,000.

The measurement and valuation of inventory of iron ore is a key audit matter due to:

- The significance of the inventory balance (25% of total assets);
- The complexity involved in determining inventory quantities on hand due to assumptions such as grades, volumes and densities;
- The significant judgement in applying an appropriate costing methodology in accordance with the Group's accounting policy and estimates for calculating stockpiles on hand; and
- The significant judgements made in determining the net realisable value ("NRV"), which includes estimating future sales prices, which are denominated in US Dollars, estimates of costs to complete production, processing and shipping.

The accounting policies include the Group's accounting principles for measuring and valuing inventory and Note 12 provides additional information, including significant estimates made by management.

Inter alia, our audit procedures included the following:

- i. Reviewing production costs and controls over allocation of the costs to ensure they are absorbed into the inventory accurately;
- ii. Obtaining audit evidence relating to the existence of inventory at the reporting date and agreeing to supporting documentation;
- iii. Assessing the competence and objectivity of the experts used by management in the preparation of the stockpile surveys;
- iv. Verifying the inputs into the cost model at 30 June 2021 and stockpile surveys;
- v. Assessing the methodology used by management to record costs in the calculation of inventories on hand at 30 June 2021;
- vi. Evaluating management's NRV assessment and ensuring that the inventory is carried at the lower of cost or NRV. In this regard, we checked:
  - Future iron ore pricing and exchange rates;
  - Expected costs to complete production, processing and shipping; and
- vii. Assessed the adequacy of the related disclosures in Note 12 to the financial statements.

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**Accounting for and Impairment of Mine Properties**  
**(Refer to Notes 2(l) and 15)**

During the year, the Group completed the development of its West Wiluna C4 Iron Ore Project ("C4 Project"). Exploration and evaluation costs amounting to \$1,171,896 were transferred to Mine Properties. In the period leading up to commercial production, \$17,195,188 was incurred in the development and pre-commissioning phase of the C4 Project. During the year, pre-commissioning revenue amounting to \$10,531,589 was netted off against the development costs, which were included in Mine Properties. Amortisation of \$2,923,464 was charged on the Mine Properties in the period from commissioning to 30 June 2021. The remaining balance of \$4,912,031 was fully impaired at 30 June 2021.

Mine Properties and the related impairment is a key audit matter due to:

- The significance of the Mine Properties in the financial statements;
- The determination by the Board of the completion of the commissioning stage at the C4 Project and accounting the treatment for pre-commissioning revenue;
- The necessity to assess management's application of the requirements of the accounting standard Exploration for and Evaluation of Mineral Resources ("AASB 6"), in relation to capitalised exploration and evaluation costs (which were subsequently reclassified to development costs). Also considering the application of the requirements of the accounting standard AASB 116, Property, Plant and Equipment ("AASB 116") and assessment for impairment when facts and circumstances suggest that the carrying amount may not exceed its recoverable amount in light of any indicators of impairment that may be present; and
- The assessment of significant judgements made by management in relation to the impairment of the Mine Properties.

Inter alia, our audit procedures included the following:

- i. Assessing the Group's right to tenure over the areas of interest by corroborating the ownership of the relevant licences for mineral resources to government registries and relevant third-party documentation;
- ii. Vouching, on a sample basis expenditure incurred during the year to supporting documentation;
- iii. Assessment of management's process for determining whether an impairment indicator occurred;
- iv. Reviewing the directors' assessment of the carrying value of the capitalised mine development expenditures, ensuring the veracity of the data presented and assessing management's consideration of potential impairment indicators, commodity prices and operating costs;
- v. Consideration of the requirements of accounting standard AASB 116 and reviewed the financial statements to ensure appropriate disclosures are made;
- vi. Review of subsequent events in relation to the Board's decision to suspend mining operations; and
- vii. Assessing the accuracy of disclosures made by the Group in the financial report.

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**Carrying value of capitalised exploration and evaluation expenditure**  
**(Refer to notes 2(k) and 14)**

At 30 June 2021, carrying value of capitalised exploration and evaluation expenditure amounting to \$6,329,379.

The carrying value of capitalised exploration and evaluation expenditure is a key audit matter due to:

- The significance of the total balance (13% of total assets)
- The necessity to assess management's application of the requirements of the accounting standard Exploration for and Evaluation of Mineral Resources ("AASB 6"), in light of any indicators of impairment that may be present; and

Inter alia, our audit procedures included the following:

- i. Assessing the Group's right to tenure over exploration assets by corroborating the ownership of the relevant licences for mineral resources to government registries and relevant third party documentation;
- ii. Reviewing the directors' assessment of the carrying value of the exploration and evaluation expenditure, ensuring the veracity of the data presented and that management has considered the effect of potential impairment indicators, commodity prices and the stage of the Group's projects against AASB 6;

- 
- The assessment of significant judgements made by management in relation whether the resources may be economically viable to develop in the future, including transfers to mine development costs, which in the year amounted to \$1,171,896.
  - iii. Evaluation of Group documents for consistency with the intentions for the continuing of exploration and evaluation activities in certain areas of interest and corroborated with enquiries of management. Inter alia, the documents we evaluated included:
    - Minutes of meetings of the Board and management;
    - Announcements made by the Group to the Australian Securities Exchange; and
    - Cash flow forecasts;
  - iv. Consideration of the requirements of accounting standard AASB 6; and
  - v. Assessing the disclosures made by the Group in relation to AASB 6 in the financial statements.
- 

### **Other Information**

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2021 but does not include the financial report and our auditor's report thereon.

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of the Directors for the Financial Report**

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

In preparing the financial report, the directors are responsible for assessing the ability of the Group 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 Group or to cease operations, or has 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 Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report.

The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view 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 entity's internal control.

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.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

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

We 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 obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

**Report on the Remuneration Report***Opinion on the Remuneration Report*

We have audited the Remuneration Report included in pages 9 to 18 of the directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of GWR Group Limited for the year ended 30 June 2021 complies with section 300A of the *Corporations Act 2001*.

*Responsibilities*

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

**STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD  
(An Authorised Audit Company)**

*Stantons International Audit & Consulting Pty Ltd*



**Martin Michalik**  
Director

West Perth, Western Australia  
30 September 2021