# Resource Development Group Limited

**ABN 33 149 028 142**

## Annual Financial Report
## 30 June 2020

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## Contents

# CORPORATE INFORMATION

**ABN 33 149 028 142**

### Directors

Mr. Andrew Ellison, Managing Director
Mr. Mike Grey, Non-Executive Director
Mr. Mark Wilson, Non-Executive Director
Mr. Paul Brown, Non-Executive Director

### Company secretary

Mr. Michael Kenyon

### Registered office

Level 1, 46 Edward Street
OSBORNE PARK WA 6017
Telephone: +61 8 9443 2928
Facsimile: +61 8 9443 2926

### Principal place of business

Level 1, 46 Edward Street
OSBORNE PARK WA 6017
Telephone: +61 8 9443 2928
Facsimile: +61 8 9443 2926
Website: www.resdevgroup.com.au

### Share registry

Automic Share Registry
126 Phillip Street
SYDNEY NSW 2000
Telephone: 1300 288 664

### Solicitors

Steinepreis Paganin Lawyers & Consultants
Level 4, The Read Building
16 Milligan Street
PERTH WA 6000

### Bankers

ANZ Banking Group Limited
Level 10, 77 St Georges Terrace
PERTH WA 6000

### Auditors

HLB Mann Judd
Level 4, 130 Stirling Street
PERTH WA 6000

### Securities exchange listing

Resource Development Group Limited shares are listed on the Australian Securities Exchange (ASX: RDG)

## DIRECTORS' REPORT

Your directors submit the financial report of the consolidated entity (or "Group") consisting of Resource Development Group Limited ("Company" or "RDG") and the entities it controlled during the period for the year ended 30 June 2020. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

**Directors**

The names of directors who held office throughout the period and until the date of this report are as follows. Directors were in office for the entire period unless otherwise stated.

**Mr Andrew Ellison** (Managing Director)

Mr Ellison is a highly experienced contractor with a successful track record in delivering business growth. Mr Ellison is responsible for strategic business development, development of new capabilities and services, identification of new territories and markets and key client relationship management. He has over 30 years' experience in maintenance and construction contracting across Australia and West Africa including civil and concrete, commercial building, structural mechanical and piping, tanks and electrical services.

In the three years immediately before the end of the financial year Mr Ellison has not served as a director of any other listed companies.

**Mr Andrew Haslam** (Chairman, Non-Executive Director) (appointed 12 March 2019; resigned 12 August 2019)

Mr Haslam is a mining professional with over 30 years of operational and senior executive experience in the Australian mining industry. He was previously Managing Director of ASX-listed Vital Metals and in 2009 was appointed Managing Director of ASX-listed Territory Resources Ltd until late 2011. Mr Haslam also previously held the role of Executive General Manager - Iron Ore, with ASX 100 company Mineral Resources Limited. He also held non-executive director roles with ASX-listed uranium exploration company, Vimy Resources Limited and BCI Minerals Limited. Mr Haslam is currently an executive with Downer Mining.

Mr Haslam was appointed to the Board on 12 March 2019, and subsequently resigned on 12 August 2019 due to his full-time work commitments.

In the three years immediately before the end of the financial year Mr Haslam had served as a director of other listed companies including Vimy Resources Limited and BCI Minerals Limited.

**Mr Mark Wilson** (Non-Executive Director) (appointed 17 June 2020)
Mr Wilson is an experienced senior executive with a strong track record in development and implementation of business strategy, balance sheet management, organisational design, project management, and transaction execution. Mr Wilson has held senior positions in a number of Australian and international companies, including Laing O'Rourke, Multiplex and Brookfield Multiplex, where he led Multiplex's listing on the ASX. Mr Wilson holds a Bachelor of Commerce (Finance) and Bachelor of Laws from the University of New South Wales and has a Graduate Diploma in Applied Finance and Investment from the Securities Institute of Australia (FINSIA).

In the three years immediately before the end of the financial year Mr Wilson has not served as a director of any other listed companies.

**Mr Mike Grey** (Non-Executive Director) (appointed 17 June 2020)
Mr Grey has over 35 years of experience in the mining industry having started his career with Alluvial Gold Mining where he was responsible for constructing, operating and maintaining numerous floating gold dredges and hard rock gold mining and processing. After gaining valuable experience in the gold industry, Mr Grey moved into iron ore mining, holding a range of Maintenance Management and Mine Management positions across a number of projects in the Kimberley, Pilbara and Yilgarn regions of Western Australia.

In the three years immediately before the end of the financial year Mr Grey has not served as a director of any other listed companies.

**Mr Paul Brown** (Non-Executive Director) (appointed 17 June 2020)
Mr Brown is a cross-skilled, degree qualified mining executive with significant operational, special projects, construction, maintenance & commercial experience with extensive experience in mining operations and resource extraction. Mr Brown has 20+ years' mining experience with proven success in running extensive and complicated multiple commodity mining operations including complex supply chains, port management, detailed contract management and negotiations, strategic and operational planning and management of large workforces whilst maintaining a high level of productivity and operational safety.

In the three years immediately before the end of the financial year Mr Brown has not served as a director of any other listed companies.

## DIRECTORS' REPORT (continued)

**Mr Gary Reid** (Executive Director) (resigned on 17 June 2020)

Mr Reid has over 25 years' experience in civil and concrete projects for the infrastructure, commercial building, mining and oil & gas sectors in Queensland, Northern Territory & Western Australia. Having worked his way up from the tools, he is intimately experienced in every aspect of civil & concrete construction which underpins more than 20 years of experience as a Site/Project Manager on packages up to A$250M.

In the three years immediately before the end of the financial year, Mr Reid has not served as a director of any other listed companies.

**Mr Ivan Ruefli (Executive Director)** (resigned on 17 June 2020)

Mr Ruefli was one of the founders of Central Systems Pty Ltd and has been integral to the company's growth since 2003. He has more than 20 years' experience in the civil, marine, residential, and commercial construction industries, founded on US military training in Civil Earthworks. He holds a Bachelor's Degree in Science and a Master's Degree in Project Management, and has successfully managed major projects both in Australia and internationally.

In the three years immediately before the end of the financial year, Mr Ruefli has not served as a director of any other listed companies.

**Company Secretary**

**Mr Michael Kenyon** (Chief Financial Officer/Company Secretary)

Mr Kenyon has held senior roles with both private and ASX-listed corporations over the past 23 years. He holds a Bachelor of Business degree from Edith Cowan University, is a Chartered Accountant and a graduate member of the Australian Institute of Company Directors.

**Interests in the shares, options and incentives of the Company and related bodies corporate**

The following relevant interests in shares, options and incentives of the Company or a related body corporate were held by the directors as at the date of this report.

| Directors | Fully paid ordinary shares Number | Share options Number | Incentives Number |
|---|---|---|---|
| Andrew Ellison | 138,983,058 | - | - |
| Mark Wilson | - | - | - |
| Mike Grey | - | - | - |
| Paul Brown | - | - | - |

**Shares under option or issued on exercise of options**

There are no shares under option as at the date of this report.

**Incentives granted and subject to vesting**

There were no incentives outstanding as at 30 June 2020 (2019: 500,000).

**Share options/incentives granted to directors and senior management**

During and since the financial year, there were no share options/incentives granted to any key management personnel of the Company and the entities it controlled as part of their remuneration.

**Principal Activities**

The principal activities of the entities within the consolidated entity during the year were the provision of contracting, remedial and construction services to the mining and oil and gas sectors within Australia as well as residential building and development.

## DIRECTORS' REPORT (continued)

**Review of operations**

RDG reported a net profit after tax of $1.8m on revenues of $30.4m for the year ended 30 June 2020. This amount includes the profit on sale of assets of $1.7m. After eliminating the non-controlling interests associated with Mineral Solutions Australia Pty Ltd (MSA) of $0.3m, the profit pertaining to shareholders of RDG amounts to $1.5m.

Earnings before interest, depreciation, amortisation and taxation (EBITDA) were up 42% from the prior year to $4.9 million however as noted above this result includes the profit on sale of assets of $1.7m. Operating cash flow was only $0.1m largely as a result of already having collected a significant portion of customer receipts during the latter part of 2019.

The Company's wholly owned subsidiary, Central Systems Pty Ltd (Centrals) continues to operate in its traditional market sector. Centrals completed several projects in the Northwest of Western Australia for its blue-chip client base both successfully and profitably during the financial year. Although revenue reduced from $31.4m in 2019 to $21.0m in 2020, Centrals was still able to produce a $0.6m profit before tax or an EBITDA result of $1.5m.

Centrals had certainly been actively tendering during the financial year however was unsuccessful in being awarded some of the larger tenders it set out to win. Competitive forces still abound in the market however Centrals continues to obtain its fair share of medium size projects, from both BHP and FMG. In recent months, we have seen an increase in new tenders, which will result in an increase of work, all pointing towards some positive signs ahead.

The crushing and screening business still has its challenges - the directors still hold the view after two years that it is difficult to make consistent and stable profits from short term crushing and screening projects. As indicated in the last Annual Report, the company set about selling surplus equipment that was not being used in its every-day operations. The sale process was reasonably successful during the financial year ended 30 June 2020 and yielded approximately $3.0m of equipment sales. Although this business made a profit before tax of $1.5m, this included the profit on sale of assets of $1.7m – an operating loss before tax of $0.2m was therefore sustained for the financial year ended 30 June 2020.

The Group's overall borrowings reduced to $4.6m by 30 June 2020 (2019: $6.4m). Some of the proceeds of equipment sales referred to above was used to reduce the hire purchase liability and an additional $1.5m of new equipment was also purchased by way of hire purchase at the end of the financial year ended 30 June 2020.

Cash at bank is still strong and remained relatively unchanged between 2020 ($10.7m) and 2019 ($11.0m).

As noted under the "Significant events after balance date" heading, the loan receivable from Bullseye Mining Limited was fully repaid on 16 July 2020 and has further bolstered the available cash at bank by approximately $1.7m after year-end.

The directors are very pleased with the acquisition of manganese assets from Mineral Resources Limited (MRL) which was completed on 17 June 2020, at which time MRL became a 75% shareholder in the Company. Please refer to the next heading "Acquisition of assets" for more detail on the transaction.

**Acquisition of Assets**

On 12 March 2020 , the Company executed an asset sale agreement with Mineral Resources Limited (MRL) and its wholly owned subsidiary, Auvex Resources Pty Ltd to acquire a 100% interest in the Ant Hill and Sunday Hill manganese projects located in Western Australia comprising of mining leases M6/237, M46/238 and miscellaneous licence L46/67 (Tenements) (Asset Sale Agreement). This transaction was subsequently approved by the Company's shareholders at a General Meeting held on 2 June 2020 and completed on 17 June 2020.

Under this Asset Sale Agreement, MRL has been issued with 1,897,587,201 fully paid ordinary shares in the Company which equates to 75% of the Company's total issued capital on a fully diluted basis. The Company and MRL have also entered into Service Agreement and Loan Agreement. Under the Service Agreement, the Company has agreed to engage MRL to undertake resource drilling, design, supply & construct the processing and non-processing infrastructure, commission the plant and supply the mining equipment to commence mining on the Tenements. Under the Loan Agreement, MRL has agreed to advance working capital funds to the Company via a secured loan of up to $35 million (Loan). The Loan will have a 5-year term with an interest rate of 8.125% per annum and includes standard terms for a loan agreement including undertakings, covenants and default events.

**Key Information**

- Revenues from continuing operations of $30.4 million, down 21% on the previous year;
- Profit after tax from continuing operations of $1.8 million; and
- Cash and cash equivalents of $10.7 million at balance date.

## DIRECTORS' REPORT (continued)

**Operations**

Headquartered in Perth, RDG provides diversified services to the resource, infrastructure, energy, government, utilities and defence sectors within Australia. RDG has offices in Perth, Newman and Kalgoorlie.

RDG had one wholly owned operating subsidiary as at 30 June 2020 and had an 80% equity interest in another subsidiary, Mineral Solutions Australia Pty Ltd:

- Central Systems Pty Ltd ("Centrals"), which provides multi-discipline construction and maintenance services to the resources, energy, infrastructure and defence sectors in Australia.

Centrals provide a 'whole of project' life-cycle service including:

- Multi-disciplinary construction services (civil, SMPT, E&I and non-process building works)
- Ancillary maintenance services
- EPCM, PMC or integrated team project delivery solutions
- EPC project delivery solutions
- Design and construct (D&C) package delivery solutions
- Optimising services including debottlenecking existing operations

Mineral Solutions Australia Pty Ltd ("MSA") provides complete materials handling solutions through its wholly owned subsidiary Crushing Service Solutions Pty Ltd (CSS). CSS has undertaken a number of large and small mobile crushing and screening projects across Western Australia and the Northern Territory.

As a contractor, CSS provide the following solutions:

- Mobile crushing and screening
- Modular crushing and screening
- Project management
- Maintenance and field service

**Workforce Capacity and Capability**

Staff numbers increased over the past year as new construction and contracting projects were taken on and completed. At 30 June 2020, the Company employed approximately 61 people (2019: 45 people).

**Strategy and Outlook**

The Company's strategic direction has continued to focus on suitable opportunities that would provide RDG with longevity and reduce its reliance on high risk construction projects over the past four years.

Your directors remain focused on the following key areas of the RDG business:

- Continue to actively pursue and deliver construction projects aligned with our traditional skills and market sector and only accept work that will produce an acceptable profit margin;
- Diversify our current business, but ensure overheads and operating costs are kept under control; and
- Identify complimentary acquisition opportunities that provide RDG with diversification and longevity, such as owning an asset that provides a long-term sustainable revenue stream and the opportunity to partner with blue chip customers.

Although the Company has produced a modest result for the financial year, the Board is satisfied that it has continued to address the above three key areas.

We are especially pleased with the recently completed transaction with Mineral Resources Limited (MRL) to vend in to RDG the manganese assets. RDG is working closely with MRL to finalise a detailed project development plan with respect to taking the mine into production. The Company is now in the process of undertaking the early works with the intention of going into production in the future, which we are extremely excited about.

Key work streams required to achieve first production include securing the relevant approvals required to commence construction and production, additional drilling, detailed design and engineering of the project infrastructure, procurement of key plant and equipment, and commencement of construction, commissioning and operations.

Although the Company's board, which includes three MRL-appointees, is reviewing the company's strategic direction, it is likely the key focus areas described above will remain largely unchanged.

## DIRECTORS' REPORT (continued)

The new board of directors has pledged support for the Company's existing businesses, as well as exploring various acquisition opportunities.

Please find below an overview of the Company's Ant Hill manganese project.

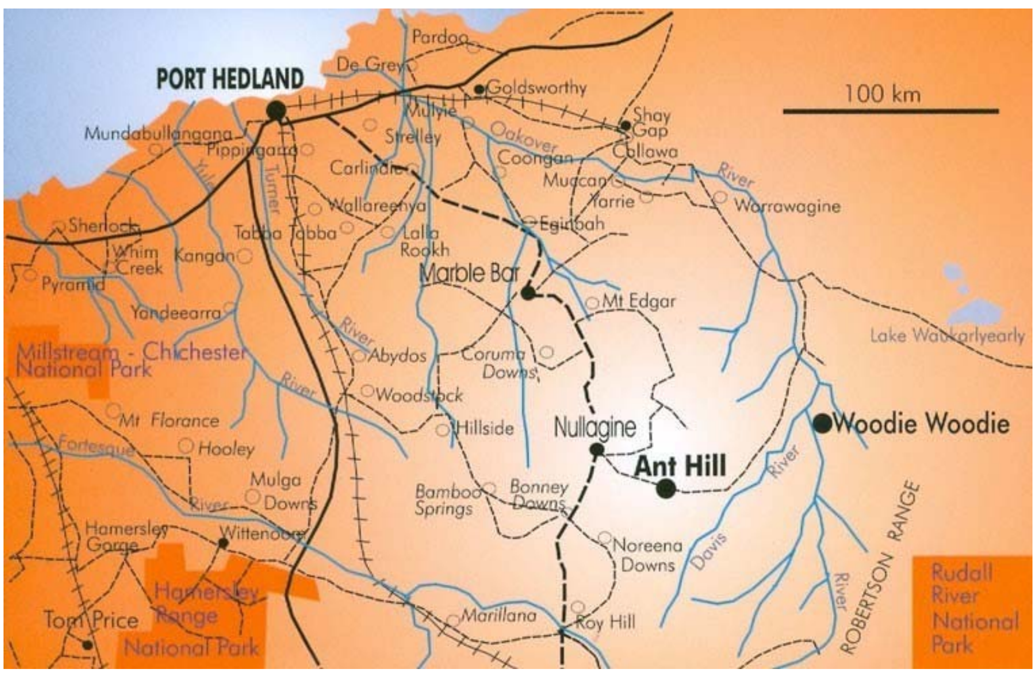
The Ant Hill mining lease (M46/238) (Ant Hill) covers 800.15 hectares and is a remnant basinal outlier of mid-Proterozoic sediments comprising the Manganese Group, the Pinjian Chert Breccia and the Hamersley Group. The sediments form a broad NW-plunging syncline and unconformably overlie the Fortescue Group, which is locally dominated by the volcanics of the Nymerina Basalt.

The manganese deposit occurs as a number of discrete podiform bodies of various sizes on the Ant Hill mesa. The mesa is a fault-bounded elongated feature, approximately 1.4km long and 500m wide, with a maximum topographic relief of 50m.

The Sunday Hill mining lease (M456/237) (Sunday Hill) is located close to Ant Hill, covers 729.1 hectares and is also a remnant mesa formation that rises 20 to 30 metres above the surrounding plain and has moderate to gentle slopes. The mesa is largely devoid of trees and generally covered by spinifex. The surface consists of skeletal soils to outcrop with some scree slopes and areas covered by colluvium. The geology of Sunday Hill is very similar to that of Ant Hill.

Sunday Hill is an outlier of late Precambrian Manganese and Hamersley Group sediments and covers an area of 5 x 5 square kilometres. The sediments form a broad NW plunging syncline and overlie Fortescue Group banded iron and shale units. The entire deposit is located 360 km by road from Port Hedland as depicted on the below map.

RDG is working closely with MRL to finalise a detailed project development plan with respect to taking the mine into production. Key work streams required to achieve first production include securing the relevant approvals required to commence construction and production, additional drilling, detailed design and engineering of the project infrastructure, procurement of key plant and equipment, and commencement of construction, commissioning and operations.




<u>Approvals and Licensing</u>

The Ant Hill tenement is a granted mining lease (M46/238), covering 800.15 hectares while the Sunday Hill tenement mining lease (M46/237) covers 729.1 hectares. The project also includes a miscellaneous license (L46/67) which covers the existing access road from the Ant Hill tenement to the shire-maintained road near Nullagine.

The Ant Hill tenement has an approved Mining Proposal and Native Vegetation Clearing Permit in place and relevant approvals to commence certain site-based activities. Full mining activities can commence subject to various start up conditions being met including heritage surveys and environmental pre-clearance surveys.

## DIRECTORS' REPORT (continued)

In addition, RDG are seeking a Part V works approval under the Environmental Protection Act to facilitate the commencement of the construction of processing facilities, non-process infrastructure and upgrades to existing access roads. Some environmental impact assessment studies will need to be completed to support the Part V approval when infrastructure design is finalised.

RDG are working closely with key stakeholders, including traditional landowners, to ensure the project progresses as soon as possible, this includes completion of heritage surveys across areas that currently have not been cleared. There are currently no approvals in place for mining on the Sunday Hill deposit.

<u>Exploration and Infill Drilling</u>

RDG intends to undertake reverse circulation (RC) and diamond drilling across the Ant Hill and Sunday Hill deposits. This drilling is planned to expand the existing resource base and upgrade a large portion of the existing JORC (2012) resource to indicated status. The upgraded resource is intended to support the initial years of operations. The diamond core drilling will provide additional samples for metallurgical and geotechnical test work programs.

The Ant and Sunday Hill drill program will take approximately two months using two diamond drill rigs and one reverse circulation drill rig. This program will be managed by our field team of geologists and field assistants based on site for this period.

Following on from the drill program all samples will be sent to an external lab for processing and assaying, and upon receiving the assay data, the geological database will be updated and thorough QAQC of the data completed. Once RDG is comfortable that the data from the drill program is sufficient for a resource update, then the geological model will be adjusted to take account of the new drill hole data and the resource estimation model will be updated.

<u>Design and Engineering</u>

RDG has commenced design and engineering works for key project infrastructure including crushing, screening and beneficiation plants capable of processing a minimum 1.0 mtpa of run of mine ore to produce a manganese concentrate. RDG are leveraging MRL's in-house design and engineering expertise to optimise the project and minimise capital expenditure. MRL has agreed to provide RDG the key components of the crushing, screening and beneficiation plants from its extensive equipment inventory reducing the lead time on procuring key processing equipment which will bring the project into production earlier. Other key infrastructure required to support mining and processing operations include a minimum 40-person accommodation village, power generation facilities, mobile equipment maintenance facilities, site offices, site laboratory, water gathering infrastructure and other non-process infrastructure. RDG will evaluate the cost benefits of sourcing new versus used infrastructure, particularly in relation to the accommodation village.

<u>Construction</u>

RDG, with assistance of MRL, will self-perform the construction activities, leveraging MRL's extensive experience in mining and processing of bulk commodities. Construction of the project infrastructure is expected to occur over a 6 to 9-month period following receipt of the necessary approvals.

<u>Operations</u>

RDG will seek to employ a highly experienced team to operate the project. MRL will provide assistance with commissioning and operational ramp up on an as required basis. The initial mine design and scheduling work will be performed by MRL technical staff in close collaboration with the RDG management team, with a view to transition these activities to the RDG technical team within the first 3 months of operations.

The manganese concentrate will be transported using road haulage from the mine through to Port Hedland, with MRL responsible for loading onto ships and using their existing marketing team to sell the manganese concentrate. RDG will utilise MRL's existing capacity and infrastructure at Utah Point to load manganese concentrate onto ocean going vessels for export to offshore markets.

<u>Business Structure</u>

The Company operates through three (3) main business units, Central Systems Pty Ltd (Centrals), Comcen Pty Ltd (Comcen) and Mineral Solutions Australia Pty Ltd (MSA). Centrals represents the primary business of the Company, being multi-disciplinary construction services, Comcen owns the manganese tenements, while MSA represents the ore crushing, handling and screening business of which RDG owns an 80% interest. The current operating subsidiaries of RDG are reflected in the below diagram.

## DIRECTORS' REPORT (continued)


Future direction and outlook

The Company, through Centrals and MSA, will continue to operate as normal and intend to further grow the existing contracting businesses. The Ant and Sunday Hill manganese project will be operated in the Comcen Pty Ltd entity.

The Acquisition represented a logical extension for the company as it aligns with its intention to continue to provide construction and management expertise and increases the likelihood of the Company accessing opportunities in its traditional contracting space. The acquisition has provided a direct equity interest in the manganese tenements, which will be developed into production in the near term.

The Company will continue to communicate with shareholders on its future direction when the time is appropriate. Although the Company has successfully managed to navigate the challenges of the Covid-19 pandemic thus far without incident, it remains cautiously aware of any potential downside. As it currently stands, the directors are in no doubt that the Company's outlook for the next 24 months looks extremely promising and full of opportunities.

**Operating results for the year**

The Group reported a net profit before income tax from continuing operations for the reporting year ended 30 June 2020 of $1.8 million (2019: Loss $2.1 million). Revenues from continuing operations were $30.4 million (2019: $38.5 million), which is down 21.2% on the previous year.

**Risk management**

Senior management have made decisions on how to should manage the various categories of risk exposure and this includes the imposition of Standard Operating Procedures (SOP's) for routine business transactions and mitigation initiatives such as insurance policies to lessen or obviate risks.

**Significant changes in the state of affairs**

There have been no significant changes in the state of affairs of the consolidated entity to the date of this report, other than as set out in this report.

**COVID-19**

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has not had a financially materially impact on the Group up to 30 June 2020, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

**Significant events after balance date**

The loan receivable with Bullseye Mining Hill was fully repaid on 16 July 2020.

No other matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

## DIRECTORS' REPORT (continued)

**Likely developments and expected results**

Disclosure of information regarding likely developments in the operations of the Group in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Group. Therefore, this information has not been presented in this report.

**Environmental legislation**

The consolidated entity is not subject to any significant environmental legislation.

**Indemnification and insurance of Directors and Officers**

The Company has agreed to indemnify all the directors of the Company for any liabilities to another person (other than the Company or related body corporate) that may arise from their position as directors of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith.

During the financial year the Company paid a premium in respect of a contract to insure the directors and officers of the Company and its controlled entities against any liability incurred in the course of their duties to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

**Remuneration report**

This report outlines the remuneration arrangements in place for the key management personnel of Resource Development Group Limited for the financial year ended 30 June 2020. The information provided in this remuneration report has been audited as required by Section 308(3C) of the Corporations Act 2001.

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.

*Key management personnel*

**(i) Directors**

| | |
|---|---|
| **Mr Andrew Ellison** | (Managing Director) |
| **Mr Mark Wilson** | (Chairman/ Non-Executive Director) (appointed 17 June 2020) |
| **Mr Mike Grey** | (Non-Executive Director) (appointed 17 June 2020) |
| **Mr Paul Brown** | (Non-Executive Director) (appointed 17 June 2020) |
| **Mr Andrew Haslam** | (Chairman/Non-Executive Director) (resigned 12 August 2019) |
| **Mr Gary Reid** | (Executive Director) (resigned 17 June 2020) |
| **Mr Ivan Ruefli** | (Executive Director) (appointed 12 August 2019; resigned 17 June 2020) |

**(ii) Executives**

Mr Michael Kenyon (Chief Financial Officer/Company Secretary)

*Remuneration philosophy*

The performance of the Company depends upon the quality of the directors and executives. The philosophy of the Company in determining remuneration levels is to:

- set competitive remuneration packages to attract and retain high calibre employees;
- link executive rewards to shareholder value creation; and
- Establish appropriate, demanding performance hurdles for variable executive remuneration.

*Remuneration committee*

The Remuneration Committee of the Board of Directors of the Company is responsible for determining and reviewing compensation arrangements for the directors and the executive team.

The Remuneration Committee assesses the appropriateness of the nature and amount of remuneration of directors and executives on a periodic basis by reference to relevant employment market conditions with an overall objective of ensuring maximum stakeholder benefit from the retention of a high-quality Board and executive team.

## DIRECTORS' REPORT (continued)

**Remuneration report (continued)**

*Remuneration structure*

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

*Non-executive director remuneration*

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

The ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. The latest determination was at a General Meeting held on 3 February 2011 when shareholders approved an aggregate remuneration of $500,000 per year.

The amount of aggregate remuneration sought to be approved by shareholders and the way it is apportioned amongst directors is reviewed annually. The Board considers advice from external shareholders as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process.

Each director receives a fee for being a director of the Company and includes any committee on which a director may sit.

The remuneration of directors for the year ended 30 June 2020 is detailed in Table 1 of this report.

*Senior manager and executive director remuneration*

Remuneration consists of fixed remuneration and variable remuneration (comprising short-term and long-term incentive schemes).

Compensation levels for executives of the Group are competitively set to attract and retain appropriately qualified and experienced executives. The compensation structures explained below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders.

The compensation structures consider:

- The capability and experience of the executive;
- The executive's ability to control the relevant segment's performance; and
- The Group's performance including:
  (a) The Group's earnings; and
  (b) The growth in share price and delivering constant returns on shareholder wealth.

Compensation packages include a mix of fixed and variable compensation, and long-term incentives. In considering the Group's performance and returns on shareholder wealth, the Board has regard to the following indicators of performance in respect of the current financial year and the previous four financial years:

| | $<br>2020 | $<br>2019 | $<br>2018 | $<br>2017 | $<br>2016 |
|---|---|---|---|---|---|
| Revenue | 30,384,916 | 38,535,695 | 15,939,479 | 9,256,201 | 69,258,688 |
| Net profit/(loss) after tax (excluding non-controlling interests) | 1,471,776 | (1,796,671) | (508,446) | (1,167,055) | 5,680,244 |
| Share price at year-end | 0.03 | 0.018 | 0.021 | 0.021 | 0.012 |
| Earnings per share | 0.0021 | (0.0028) | (0.008) | (0.0018) | 0.009 |

*Fixed remuneration*

Fixed remuneration is reviewed annually by the Remuneration Committee and/or the Board. The process consists of a review of relevant comparative remuneration in the market and internally and, where appropriate, external advice on policies and practices. The Committee has access to external, independent advice where necessary.

Senior managers are given the opportunity to receive their fixed (primary) remuneration in a variety of forms including cash and fringe benefits such as motor vehicles and expense payment plans. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Group.

## DIRECTORS' REPORT (continued)

**Remuneration report (continued)**

*Fixed remuneration (continued)*

The fixed remuneration component of the key management personnel is detailed in Table 1 of this report.

*Variable remuneration*

The objective of a short-term incentive 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 short-term incentive available can be set at a level to provide enough incentive to the senior manager to achieve the operational targets and such that the cost to the Group is reasonable in the circumstances.

Although there were some informal arrangements in place in relation to the payment of variable remuneration, no performance-based payments were paid during the 2019 year (2018: $Nil).

***Service/Employment contracts***

*Mr Andrew Ellison (Chairman)*

Mr Ellison has a Contract Services Agreement dated 10 September 2014 with the Company, engaging him as Chairman for an indefinite term commencing 19 September 2014, for an agreed rate of up to $25,000 per calendar month depending on time committed plus ancillary work-related expenses.

The agreement may be terminated by either party giving four weeks written notice or terminated immediately with cause. Restraint and non-solicitation provisions will apply for six months following termination of the contract, and other usual and appropriate commercial conditions of employment are included to protect the interests of the Company during and following his term of engagement.

*Mr Mark Wilson (Chairman/Non-Executive Director) (appointed 17 June 2020)*

Mr Wilson is an appointee of Mineral Resources Limited which became a substantial shareholder on 17 June 2020 as a result of the acquisition 100% interest in the Ant Hill and Sunday Hill manganese projects from Mineral Resources Limited subsidiary, Auvex Resources Pty Ltd. Mr Wilson has no formal terms of appointment.

*Mr Mike Grey (Non-Executive Director) (appointed 17 June 2020)*

Mr Grey is an appointee of Mineral Resources Limited which became a substantial shareholder on 17 June 2020 as a result of the acquisition 100% interest in the Ant Hill and Sunday Hill manganese projects from Mineral Resources Limited subsidiary, Auvex Resources Pty Ltd. Mr Grey has no formal terms of appointment.

*Mr Paul Brown (Non-Executive Director) (appointed 17 June 2020)*

Mr Brown is an appointee of Mineral Resources Limited which became a substantial shareholder on 17 June 2020 as a result of the acquisition 100% interest in the Ant Hill and Sunday Hill manganese projects from Mineral Resources Limited subsidiary, Auvex Resources Pty Ltd. Mr Brown has no formal terms of appointment.

*Mr Gary Reid (Executive Director) (resigned 17 June 2020)*

Mr Reid has an original Executive Service Agreement (ESA) dated 10 September 2014 with the Company, employing him as Executive Director for an indefinite term commencing on 19 September 2014. This ESA has been varied over the years and currently has the following status:

- Base salary cash component of $346,468 per annum with effect from 1 February 2018;
- Payment of project uplift amount of $40,515 per annum.

The agreement may be terminated by either party giving three months' written notice or terminated immediately with cause. The Company may choose to pay Mr Reid an amount in lieu of the applicable remaining notice period. Restraint and non-solicitation provisions will apply for six months following termination of the contract, and other usual and appropriate commercial conditions of employment are included to protect the interests of the Company during and following his term of employment. If Mr Reid's employment is terminated by reason of redundancy, the Company will comply with redundancy provisions in accordance with the National Employment Standards.

## DIRECTORS' REPORT (continued)

**Remuneration report (continued)**

***Service/Employment contracts (continued)***

*Mr Ivan Ruefli (Executive Director) (appointed 12 August 2019; resigned 17 June 2020)*

Mr Ruefli has a Contract Services Agreement (CSA) dated 18 October 2018 with the Company, engaging him as Business Development Executive for an indefinite term commencing 22 October 2018.

On 12 December 2018, Mr Ruefli agreed to a variation of his CSA whereby his rate changed to $10,000 per calendar month.

The agreement may be terminated by either party giving one week's written notice or terminated immediately with cause. There are no restraint or non-solicitation provisions in the contract, however other usual and appropriate commercial conditions of employment are included to protect the interests of the Company during and following his term of engagement.

*Mr Michael Kenyon (Chief Financial Officer/Company Secretary)*

The Company entered into a Contract Services Agreement (CSA) effective 19 May 2015 with Mr Kenyon, engaging him as Chief Financial Officer / Company Secretary for a 6-month term ending on 26 November 2015 for a TFR of $10,000 per calendar month for a two-day working week. Effective 1 December 2015, the Company agreed to an extension of the terms of the CSA with the working days to be determined on an "as needed" basis at a day rate of $1,250 per day.

The agreement may be terminated by either party giving four weeks written notice or terminated immediately with cause. Other usual and appropriate commercial conditions of employment are included to protect the interests of the Company during and following his term of engagement.

# DIRECTORS' REPORT (continued)

## Remuneration report (continued)

*Remuneration of directors and named executives*

### Table 1: Key Management Personnel remuneration for the years ended 30 June 2020 and 30 June 2019

| | | Short-term employee benefits | | | | Post-employment benefits | Other long-term benefits | Equity | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Salary & fees $ | Bonuses $ | Non-monetary benefits $ | Other $ | Superannuation $ | Long-service leave $ | Incentives $ | Total $ | Performance related % |
| Mr Andrew Ellison | 2020 | 340,860 | - | - | - | - | - | - | 340,860 | - |
| | 2019 | 225,786 | - | - | - | - | - | - | 225,786 | - |
| Mr Andrew Haslam[1] | 2020 | 6,849 | - | - | - | 651 | - | - | 7,500 | - |
| | 2019 | 16,649 | - | - | - | 1,582 | - | - | 18,231 | - |
| Mr Richard Eden[2] | 2020 | - | - | - | - | - | - | - | - | - |
| | 2019 | 111,350 | - | - | - | - | - | - | 111,350 | - |
| Mr Mike Grey[3] | 2020 | - | - | - | - | - | - | - | - | - |
| | 2019 | - | - | - | - | - | - | - | - | - |
| Mr Mark Wilson[3] | 2020 | | - | - | - | - | - | - | - | - |
| | 2019 | - | - | - | - | - | - | - | - | - |
| Mr Paul Brown[3] | 2020 | - | - | - | - | - | - | - | - | - |
| | 2019 | - | - | - | - | - | - | - | - | - |
| Mr Gary Reid[4 5] | 2020 | 403,357 | - | - | - | 26,196 | - | - | 429,553 | - |
| | 2019 | 376,329 | - | - | - | 28,654 | - | - | 404,983 | - |
| Mr Ivan Ruefli[4] | 2020 | 97,500 | - | - | - | - | - | - | 97,500 | - |
| | 2019 | - | - | - | - | | - | - | - | - |
| Mr Michael Kenyon | 2020 | 77,250 | - | - | - | - | - | - | 77,250 | - |
| | 2019 | 126,511 | - | - | - | - | - | - | 126,511 | - |
| **Totals** | **2020** | **925,816** | **-** | **-** | **-** | **26,847** | **-** | **-** | **952,663** | **-** |
| | **2019** | **856,625** | **-** | **-** | **-** | **30,236** | **-** | **-** | **886,861** | **-** |

[1] Mr Haslam was appointed as a non-executive director on 12 March 2019 and resigned 12 August 2019

[2] Mr Eden resigned as a non-executive director on 12 March 2019

[3] Mr Grey, Mr Wilson and Mr Brown were appointed as non-executive directors on 17 June 2020

[4] Mr Reid and Mr Ruefli resigned as executive directors on 17 June 2020

[5] Mr Reid was paid out an amount of annual leave in the sum of $21,654 during 2020

No options or incentives were granted during the years 2020 and 2019

## DIRECTORS' REPORT (continued)

### Remuneration report (continued)

*Key Management Personnel equity holdings*

Ordinary shares held in Resource Development Group Limited (number)

| 30 June 2020 | Balance at beginning of period | Balance on appointment | Purchased | On exercise of incentives | Net change other | Balance on resignation | Balance at end of period |
|---|---|---|---|---|---|---|---|
| **Directors** | | | | | | | |
| Mr Andrew Ellison | 105,649,724 | - | - | - | - | - | 105,649,724 |
| Mr Andrew Haslam[1] | - | - | - | - | - | - | - |
| Mr Mike Grey[2] | - | - | - | - | - | - | - |
| Mr Mark Wilson[2] | - | - | - | - | - | - | - |
| Mr Paul Brown[2] | - | - | - | - | - | - | - |
| Mr Gary Reid[3] | 105,649,724 | - | - | - | - | (105,649,724) | - |
| Mr Ivan Ruefli[4] | - | 105,649,724 | - | - | - | (105,649,724) | - |
| **Executives** | | | | | | | |
| Mr Michael Kenyon | 1,000,000 | - | - | - | - | - | 1,000,000 |

[1] Mr Haslam was appointed as a non-executive director on 12 March 2019 and resigned 12 August 2019

[2] Mr Mike Grey, Mr Mark Wilson and Mr Paul Brown were appointed as non-executive directors on 17 June 2020

[3] Mr Gary Reid resigned as executive director on 17 June 2020

[4] Mr Ivan Ruefli was appointed as executive director on 12 August 2019 and resigned on 17 June 2020

Ordinary shares held in Resource Development Group Limited (number)

| **30 June 2019** | Balance at beginning of period | Balance on appointment | Purchased | On exercise of incentives | Net change other | Balance on resignation | Balance at end of period |
|---|---|---|---|---|---|---|---|
| **Directors** | | | | | | | |
| Mr Andrew Ellison | 105,649,724 | - | - | - | - | - | 105,649,724 |
| Mr Andrew Haslam | - | - | - | - | - | - | - |
| Mr Richard Eden[5] | 61,330,343 | - | - | - | - | (61,330,343) | - |
| Mr Gary Reid | 105,649,724 | - | - | - | - | - | 105,649,724 |
| **Executives** | | | | | | | |
| Mr Michael Kenyon | 1,000,000 | - | - | - | - | - | 1,000,000 |

[5] Mr Richard Eden resigned as a non-executive director on 12 March 2019

# DIRECTORS' REPORT (continued)

**Remuneration report (continued)**

***Details of employee share option plans***

Under the terms of the plan, the Board may offer free options to persons ("Eligible Persons") who are full-time or part-time employees (including a person engaged by the Company under a consultancy agreement); or Directors of the Company or any subsidiary based on a number of criteria including contribution to the Company, period of employment, potential contribution to the Company in the future and other factors the Board considers relevant. Upon receipt of such an offer, the Eligible Person may nominate an associate to be issued with the options. The maximum number of options issued under the Plan at any one time is 5% of the total number of Shares on issue in the Company provided that the Board may increase this percentage, subject to the Corporations Act and the Listing Rules.

Each option entitles the holder, on exercise, to one ordinary fully paid share in the Company. There is no issue price for the options. The exercise price for the options will be such price as determined by the Board (in its discretion) on or before the date of issue provided that in no event shall the exercise price be less than 80% of the weighted average sale price of Shares sold on ASX during the five Business Days prior to the date of issue.

Shares issued on exercise of options will rank equally with other ordinary shares of the Company.

Options may not be transferred other than to a nominee of the holder. Quotation of options on ASX will not be sought. However, the Company will apply to ASX for official quotation of Shares issued on the exercise of options.

An option may only be exercised after that option has vested and any other conditions imposed by the Board on exercise satisfied. The Board may determine the vesting period (if any). An option will lapse upon the first to occur of the expiry date, the holder acting fraudulently or dishonestly in relation to the Company, the employee ceasing to be employed by the Company or on certain conditions associated with a party acquiring a 90% interest in the Shares of the Company.

If, in the opinion of the Board any of the following has occurred or is likely to occur, the Company entering into a scheme of arrangement, the commencement of a takeover bid for the Company's Shares, or a party acquiring a sufficient interest in the Company to enable them to replace the Board, the Board may declare an option to be free of any conditions of exercise. Options which are so declared may, subject to the lapsing conditions set out above, be exercised at any time on or before their expiry date and in any number.

There are no participating rights or entitlements inherent in the options and option holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the options. However, the Company will ensure that the record date for determining entitlements to any such issue will be at least six Business Days after the issue is announced. Option holders shall be afforded the opportunity to exercise all options which they are entitled to exercise pursuant to the Plan prior to the date for determining entitlements to participate in any such issue.

If the Company makes an issue of shares to Shareholders by way of capitalisation of profits or reserves ("Bonus Issue"), each option holder holding any options which have not expired at the time of the record date for determining entitlements to the Bonus Issue shall be entitled to participate in the Bonus Issue by exercising their options before the record date determining entitlements under the Bonus Issue. They will then be issued the shares under the Bonus Issue in addition to the Shares which he or she is otherwise entitled to have issued to him or her upon such exercise.

The Bonus Shares will be paid by the Company out of profits or reserves (as the case may be) in the same manner as was applied in relation to the Bonus Issue and upon issue rank pari passu in all respects with the other Shares issued upon exercise of the options. In the event of any reconstruction (including a consolidation, subdivision, reduction or return) of the issued capital of the Company prior to the expiry of any options, the number of options to which each option holder is entitled or the exercise price of his or her options or both or any other terms will be reconstructed in a manner determined by the Board which complies with the provisions of the Listing Rules.

Under current taxation laws any taxation liability in relation to the options, or the Shares issued on exercise of the options, will fall on the participants. The Company will not be liable to fringe benefits tax in relation to options or Shares issued under the Plan.

Although Directors are eligible to be offered options under the Plan, this first requires specific Shareholder approval due to the requirements of the ASX Listing Rules and the Corporations Act 2001.

There were no options issued to key management people during the period.

## *Details of Employee Incentive Plan*

The Group continued the Employee Incentive Plan, which was first adopted in February 2011, which allowed the Board to invite employees to apply for incentives. The incentives may be exercised for nil consideration when certain vesting conditions occur, at which point one share will be issued for each incentive exercised.

On 16 January 2015 the Employee Long Term Incentive Plan 2014 was introduced with 11,500,000 incentives being granted at nil cents per incentive and have progressive vesting dates through to 16 January 2019. A total of 9,250,000 incentives were forfeited on termination of employment. The incentive plan is based on the same structure as its predecessor which had been cancelled prior to the acquisition of Central Systems Pty Ltd. The fair value of the incentives issued was valued at $0.059 per incentive based on the share price at grant date.

## DIRECTORS' REPORT (continued)

**Remuneration report (continued)**

At 1 July 2018, there were 2,250,000 incentives outstanding. Of those incentives, half of them (1,125,000) lapsed as a result of one of the vesting conditions, related to Company earnings, not being met. The remaining 1,125,000 incentives were fully vested as at 16 January 2019.

On 18 March 2019, 625,000 of the fully vested incentives were converted into ordinary shares and issued to two employees.

On 27 May 2020, 500,000 of the fully vested incentives were converted into ordinary shares and issued to one employee. There were no incentives outstanding as at 30 June 2020 (2019: 500,000).

There were no incentives issued to key management people during the year or prior year and the incentive plan is not currently active.

**Related Party disclosures**

**(a) Lease agreements**

The Company has entered into operating lease agreements for rental premises with the following shareholder related entities:

*Slipstream Property Partnership*
Amphora Pty Ltd as trustee for the Purple Trust (Ivan Ruefli);
Allmont Pty Ltd as trustee for the Allmont Trust (Andrew Ellison);
Matthew Reid Project Management Pty Ltd (Gary Reid); and
Richard James Eden as trustee for the Eden Family Trust.
The lease for the property located in Osborne Park, Western Australia lease commenced on 1 May 2015 with a termination date of 30 April 2019. The lease has been on a rolling month-by-month arrangement since that date.
Rental payments made for the year 1 July 2019 to 30 June 2020 were $136,800 (2019: $136,800). At balance date, $Nil (2019: $Nil) was payable to the Slipstream Property Trust.

*Grisam Investments Pty Ltd as trustee for the Grisam Property Trust*
Amphora Pty Ltd as trustee for the Purple Trust (Ivan Ruefli);
Allmont Pty Ltd as trustee for the Allmont Trust (Andrew Ellison);
Gary Reid as trustee for the Gary Reid Family Trust; and
Richard James Eden as trustee for the Eden Family Trust
The lease for the property located in Newman, Western Australia commenced on 1 October 2014 with a termination date of 30 September 2019. The lease has been on a rolling month-by-month arrangement since that date.
Rental payments made for the year 1 July 2019 to 30 June 2020 were $210,000 (2019: $210,000). At balance date, $Nil (2019: $Nil) was payable to Grisam Investments Pty Ltd.

**(b) Other transactions**

i) The Company entered a lump sum building contract with Allmont Pty Ltd (Mr Andrew Ellison – Chairman) for the construction of a two-storey residential dwelling at the Company's residential project located at North Coogee, Western Australia on 8 December 2018.

   Allmont Pty Ltd was invoiced $676,797 inclusive of GST for the year ended 30 June 2020 (2019: $67,967). At balance date, $Nil (2019: $Nil) was owing by Allmont Pty Ltd.

ii) The Company entered a lump sum building contract with Gary Reid (Director) for the construction of a two-storey residential dwelling at the Company's residential project located at North Coogee, Western Australia on 14 December 2018.

   Mr Reid was invoiced $332,164 inclusive of GST for the year ended 30 June 2020 (2019: $152,469). At balance date, $Nil (2019: $Nil) was owing by Mr Reid.

**This concludes the remuneration report, which has been audited**

## DIRECTORS' REPORT (continued)

**Directors' Meetings**

The number of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director was as follows:

| | Directors' Meetings | Eligible to attend | Audit Committee* | Remuneration Committee* |
|---|---|---|---|---|
| **Number of meetings held:** | 9 | 9 | - | - |
| | | | | |
| **Number of meetings attended:** | | | | |
| Mr Andrew Ellison | 9 | 9 | - | - |
| Mr Andrew Haslam | 1 | 1 | - | - |
| Mr Mark Wilson | 1 | 1 | - | - |
| Mr Mike Grey | 1 | 1 | - | - |
| Mr Paul Brown | 1 | 1 | - | - |
| Mr Gary Reid | 7 | 8 | | |
| Mr Ivan Ruefli | 7 | 7 | - | - |

***given the size of the Board and the Company, the directors also fulfilled the roles required in the committees***

**Proceedings on behalf of the Group**

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

**Auditor Independence and Non-Audit Services**

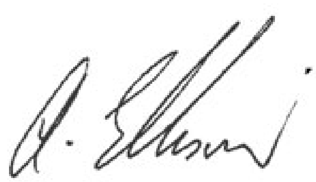
Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the directors of the Company with an Independence Declaration in relation to the audit of the financial report. This Independence Declaration is set out on page 17 and forms part of this directors' report for the year ended 30 June 2020.

**Non-Audit Services**

The Directors review any non-audit services to be provided to ensure they are compatible with the general standard for independence for auditors imposed by the Corporations Act 2001.

During the year, the auditors did not provide any non-audit services to the Group.

Signed in accordance with a resolution of the directors.



Mr Andrew Ellison
Managing Director
Perth, Western Australia
31 August 2020

**AUDITOR'S INDEPENDENCE DECLARATION**

As lead auditor for the audit of the consolidated financial report of Resource Development Group Limited for the year ended 30 June 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) any applicable code of professional conduct in relation to the audit.

**Perth, Western Australia**
**31 August 2020**

**N G Neill**
**Partner**

hlb.com.au

**HLB Mann Judd (WA Partnership) ABN 22 193 232 714**
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**T:** +61 (0)8 9227 7500 **E:** mailbox@hlbwa.com.au

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

| | Notes | Consolidated 2020 $ | Consolidated 2019 $ |
|---|---|---|---|
| **Continuing operations** | | | |
| Revenue | 2(a) | 30,384,916 | 38,535,695 |
| Other income | 2(b) | 272,333 | 316,894 |
| Cost of sales | | (12,666,898) | (11,915,339) |
| Employee benefits expense | | (12,441,796) | (20,718,303) |
| Depreciation and amortisation | 2(c) | (2,958,874) | (3,567,355) |
| Finance costs | | (353,027) | (546,908) |
| Profit/(loss) on sale of assets | 2(c) | 1,716,758 | 3,919 |
| Share based payments | 2(c) | - | (12,446) |
| Other expenses | | (2,160,062) | (2,475,111) |
| Impairment charge | 2(c) | - | (1,687,969) |
| **Profit/(Loss) before income tax** | | 1,793,350 | (2,066,923) |
| Income tax (expense)/benefit | 3 | (31,928) | (597,645) |
| **Profit/(Loss) after income tax from continuing operations** | | 1,761,422 | (2,664,568) |
| **Other comprehensive income for the period, net of income tax** | | - | - |
| **Total comprehensive income/(loss)** | | **1,761,422** | **(2,664,568)** |
| Total profit/(loss) for the year is attributable to: | | | |
| Non-controlling interests | | 289,646 | (867,897) |
| Owners of Resource Development Group Ltd | | 1,471,776 | (1,796,671) |
| | | **1,761,422** | **(2,664,568)** |
| Total comprehensive profit/(loss) for the year is attributable to: | | | |
| Non-controlling interests | | 289,646 | (867,897) |
| Owners of Resource Development Group Ltd | | 1,471,776 | (1,796,671) |
| | | **1,761,422** | **(2,664,568)** |
| Profit/(Loss) per share for the period attributable to the members of Resource Development Group Ltd: | | | |
| Basic profit/(loss) per share (cents per share) | 5 | **0.21** | **(0.28)** |
| Diluted profit/(loss) per share (cents per share) | 5 | **0.21** | **(0.28)** |

The accompanying notes form part of these financial statements

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION
## AS AT 30 JUNE 2020

| | | Consolidated | |
|---|---|---|---|
| | | 2020 | 2019 |
| **Assets** | Notes | $ | $ |
| **Current assets** | | | |
| Cash and cash equivalents | 6 | 10,707,614 | 10,997,263 |
| Trade and other receivables | 7 | 8,232,291 | 5,462,188 |
| Inventories | 8 | 50,197 | 385,532 |
| **Total current assets** | | 18,990,102 | 16,844,983 |
| **Non-current assets** | | | |
| Property, plant and equipment | 9 | 10,224,933 | 12,818,311 |
| Right-of-Use asset | 13 | 52,345 | - |
| Deferred exploration and evaluation expenditure | 11 | 24,282,000 | - |
| Development expenditure | 12 | 24,055,000 | - |
| Deferred tax assets | 3 | 468,775 | 321,158 |
| **Total non-current assets** | | 60,083,053 | 13,139,469 |
| **Total assets** | | 79,073,155 | 29,984,452 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 14 | 6,359,632 | 6,718,368 |
| Borrowings | 15 | 2,486,667 | 2,894,049 |
| Lease liabilities | 13 | 56,484 | - |
| Current tax liabilities | 3 | 124,615 | 59,736 |
| Provisions | 16 | 712,417 | 623,110 |
| **Total current liabilities** | | 9,739,815 | 10,295,263 |
| **Non-current liabilities** | | | |
| Borrowings | 15 | 2,163,038 | 3,536,411 |
| Provisions | 16 | 8,912 | 20,154 |
| Deferred tax liabilities | 3 | 720,130 | 789,786 |
| **Total non-current liabilities** | | 2,892,080 | 4,346,351 |
| **Total liabilities** | | 12,631,895 | 14,641,614 |
| **Net assets** | | **66,441,260** | **15,342,838** |
| **Equity** | | | |
| Issued capital | 17 | 57,240,375 | 7,836,308 |
| Share-based payments reserve | 18 | - | 134,135 |
| Retained earnings | | 9,279,136 | 7,740,292 |
| Equity attributable to owners of the parent | | 66,519,511 | 15,710,735 |
| Non-controlling interests | 29 | (78,251) | (367,897) |
| **Total equity** | | **66,441,260** | **15,342,838** |

The accompanying notes form part of these financial statements

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

| **Consolidated** | Issued capital | Retained earnings | Share-based payments reserve | Attributable to the owners of the parent | Non-controlling interest | Total equity |
|---|---|---|---|---|---|---|
| **30 June 2019** | | | | | | |
| **Balance as at 1 July 2018** | 7,836,308 | 9,536,963 | 121,689 | 17,494,960 | - | 17,494,960 |
| Loss for the year | - | (1,796,671) | - | (1,796,671) | (867,897) | (2,664,568) |
| Other comprehensive income | - | - | - | - | - | - |
| Total comprehensive loss for the year | - | (1,796,671) | - | (1,796,671) | (867,897) | (2,664,568) |
| Share-based payments | - | - | 12,446 | 12,446 | - | 12,446 |
| Non-controlling interests arising on acquisition | - | - | - | - | 500,000 | 500,000 |
| **Balance at 30 June 2019** | 7,836,308 | 7,740,292 | 134,135 | 15,710,735 | (367,897) | 15,342,838 |
| **Balance as at 1 July 2019** | | | | | | |
| Profit/(Loss) for the year | - | 1,471,776 | - | 1,471,776 | 289,646 | 1,761,422 |
| Other comprehensive income | - | - | - | - | - | - |
| Total comprehensive loss for the year | - | 1,471,776 | - | 1,471,776 | 289,646 | 1,761,422 |
| *Transactions with owners in their capacity as owners:* | | | | | | |
| Lapsed incentives | - | 67,068 | (67,068) | - | - | - |
| Issue of shares | 49,404,067 | - | (67,067) | 49,337,000 | - | 49,337,000 |
| **Balance at 30 June 2020** | 57,240,375 | 9,279,136 | - | 66,519,511 | (78,251) | 66,441,260 |

The accompanying notes form part of these financial statements

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

| | Notes | Consolidated 2020 $ | Consolidated 2019 $ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers | | 31,062,912 | 41,858,699 |
| Payments to suppliers and employees | | (29,008,488) | (33,854,580) |
| Interest received | | 173,112 | 204,526 |
| Finance costs paid | | (353,027) | (546,908) |
| Income tax paid | | (184,322) | (238,012) |
| Insurance proceeds received | | 99,221 | - |
| GST paid | | (1,653,703) | (2,605,362) |
| **Net cash inflow from operating activities** | 6(ii) | 135,705 | 4,818,363 |
| | | | |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | | (230,912) | (349,890) |
| Proceeds from sale of property, plant and equipment | | 3,177,855 | 930 |
| Loan advanced to external party (Bullseye Mining Ltd) | | - | (1,500,000) |
| Acquisition of Mineral Solutions Australia Pty Ltd (net outflow) | 28 | - | (1,448,193) |
| **Net cash inflow/(outflow) from investing activities** | | 2,946,943 | (3,297,153) |
| | | | |
| **Cash flows from financing activities** | | | |
| Repayment of lease liability | 6(iii) | (52,345) | - |
| Repayment of hire purchase liabilities | 6(iii) | (3,319,952) | (3,846,247) |
| **Net cash (outflow) from financing activities** | | (3,372,297) | (3,846,247) |
| | | | |
| Net (decrease)/increase in cash held | | (289,649) | (2,325,037) |
| Cash and cash equivalents at the beginning of the period | | 10,997,263 | 13,322,300 |
| **Cash and cash equivalents at the end of the period** | 6(i) | 10,707,614 | 10,997,263 |

The accompanying notes form part of these financial statements

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

## NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Adoption of new and revised standards

*Standards and Interpretations applicable to 30 June 2020*

The Company has applied all new and revised Australian Accounting Standards that apply to annual reporting periods beginning on or after 1 July 2019, including AASB 16 *Leases*.

AASB 16 replaces AASB 117 *Leases* and introduces a single lessee accounting model that requires a lessee to recognise right-of-use assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Right-of-use assets are initially measured at cost and lease liabilities are initially measured on a present value basis. Subsequent to initial recognition:

a) right-of-use assets are accounted for on a similar basis to non-financial assets, whereby the right-of-use asset is accounted for on a cost basis unless the underlying asset is accounted for on a revaluation basis, in which case if the underlying asset is:

    i. investment property, the lease applies the fair value model in AASB 140 *Investment Property* to the right-of-use asset; or
    ii. property, plant or equipment, the lessee applies the revaluation model in AASB 116 *Property, Plant and Equipment* to all of the right-of-use assets that relate to that class of property, plant and equipment; and

b) lease liabilities are accounted for on a similar basis to other financial liabilities, whereby interest expense is recognised in respect of the lease liability and the carrying amount of the lease liability is reduced to reflect the principal portion of lease payments made.

AASB 16 substantially carries forward the lessor accounting requirements of the predecessor standard, AASB 117. Accordingly, under AASB 16 a lessor continues to classify its leases as operating leases or finance leases subject to whether the lease transfers to the lessee substantially all of the risks and rewards incidental to ownership of the underlying asset, and accounts for each type of lease in a manner consistent with the current approach under AASB 117.

In accordance with the transition requirements of AASB 16, the Company has elected to apply AASB 16 retrospectively to those contracts that were previously identified as leases under the predecessor standard, with the cumulative effect, if any, of initially applying the new standard recognised as an adjustment to opening retained earnings at the date of initial application (i.e., at 1 July 2019). Accordingly, comparative information has not been restated.

The Company has also elected to apply the following practical expedients to the measurement of right-of-use assets and lease liabilities in relation to those leases previously classified as operating leases under the predecessor standard:

- to recognise each right-of-use asset at the date of initial application at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application
- to not recognise a right-of-use asset and a lease liability for leases for which the underlying asset is of low value;
- to not recognise a right-of-use asset and a lease liability for leases for which the lease term ends within 12 months of the date of initial application;
- to apply a single discount rate to a portfolio of leases with reasonably similar characteristics;
- to adjust each right-of-use asset at the date of initial application by the amount of any provision for onerous leases recognised in the statement of financial position immediately before the date of initial application;
- to exclude initial direct costs from the measurement of each right-of-use assets at the date of initial application; and
- to use hindsight, such as in determining the lease term if the contract contains options to extend of terminate the lease.

The application of AASB 16 resulted in the recognition of right-of-use assets with an aggregate carrying amount of $108,829 (referred to in these financial statements as “lease assets”) and corresponding lease liabilities with an aggregate carrying amount of $108,829. The weighted average incremental borrowing rate applied in the calculation of the initial carrying amount of lease liabilities was 5%.

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

## NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (a) Adoption of new and revised standards (continued)

| | $ |
|---|---|
| Aggregate non-cancellable operating lease commitments at 30 June 2019 | 292,181 |
| Less: lease payments previously included in non-cancellable lease commitments for leases with remaining terms of less than 12 months and leases of low value assets | (178,022) |
| Less: impact of discounting lease payments to their present value at 1 July 2019 | (5,330) |
| Carrying amount of lease liabilities recognised at 1 July 2019 | 108,829 |

Further details of the Company's accounting policy in relation to accounting for leases under AASB 16 are contained in Note 1(x).

The Company has not elected to early adopt AASB 020-4 Amendments to Australian Accounting Standards – Covid-19 Related Rent Concessions in the current reporting period, with effect from 1 July 2019 as there was no rent concessions for the year ended 30 June 2020.

In the year ended 30 June 2020, the Directors have reviewed all the new and revised Standards and Interpretations issued by the AASB that are relevant to the Company and effective for the current annual reporting period.

As a result of this review, the Directors have determined that apart from AASB 16 Leases there is no material impact of the new and revised Standards and Interpretations on the Company and, therefore, no material change is necessary to Group accounting policies.

### (b) Statement of compliance

The financial report was authorised for issue 31 August 2020.

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

### (c) Basis of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Resource Development Group Limited ('Company' or 'parent entity') as at 30 June 2020 and the results of all subsidiaries for the year then ended. Resource Development Group Limited and its subsidiaries are referred to in this financial report as the Group or the consolidated entity.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Control exists where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing when the Group controls another entity.

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

## NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (c) Basis of consolidation (continued)

Business combinations are accounted for using the acquisition method of accounting (refer note 1(j).

Unrealised gains or transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

When the Group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

### (d) Going concern

The financial statements are prepared on a going concern basis.

At balance date, the Group had a working capital surplus of $9,250,287 (2019: $6,549,720) and cash balances of $10,707,614 (2019: $10,997,263).

The Board considers that based on its assessment of operating cash flows it is appropriate in the Group's current circumstances to prepare its financial statements on a going concern basis.

### (e) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Committee of Resource Development Group Limited.

### (f) Foreign currency translation

Both the functional and presentation currency of Resource Development Group Limited and its Australian subsidiaries is Australian dollars. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance date.

All exchange differences in the consolidated financial report are taken to profit or loss with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity.

These are taken directly to equity until the disposal of the net investment, at which time they are recognised in profit or loss.

Tax charges and credits attributable to exchange differences on those borrowings are also recognised in equity.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

### (g) Revenue from Contracts with customers

Revenue arises mainly from the provision of contracting services. The Group generates revenue largely in Australia.

To determine whether to recognise revenue, the Group follows a 5-step process:

1 Identifying the contract with a customer
2 Identifying the performance obligations
3 Determining the transaction price
4 Allocating the transaction price to the performance obligations
5 Recognising revenue when/as performance obligation(s) are satisfied.

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

## NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (g) Revenue from Contracts with customers (continued)

The revenue and profits recognised in any period are based on the delivery of performance obligations and an assessment of when control is transferred to the customer.

In determining the amount of revenue and profits to record, and related statement of financial position items (such as contract fulfilment assets, capitalisation of costs to obtain a contract, trade receivables, accrued income and deferred income) to recognise in the period, management is required to form a number of key judgements and assumptions. This includes an assessment of the costs the Group incurs to deliver the contractual commitments and whether such costs should be expensed as incurred or capitalised.

Revenue is recognised either when the performance obligation in the contract has been performed, so 'point in time' recognition or 'over time' as control of the performance obligation is transferred to the customer.

*Transaction price*

At contract inception the total transaction price is estimated, being the amount to which the Group expects to be entitled and has rights to under the present contract.

The transaction price does not include estimates of consideration resulting from change orders for additional goods and services unless these are agreed.

Once the total transaction price is determined, the Group allocates this to the identified performance obligations in proportion to their relative stand-alone selling prices and recognises revenue when (or as) those performance obligations are satisfied.

For each performance obligation, the Group determines if revenue will be recognised over time or at a point in time. Where the Group recognises revenue over time for long term contracts, this is in general due to the Group performing and the customer simultaneously receiving and consuming the benefits provided over the life of the contract.

For each performance obligation to be recognised over time, the Group applies a revenue recognition method that faithfully depicts the Group’s performance in transferring control of the goods or services to the customer. This decision requires assessment of the real nature of the goods or services that the Group has promised to transfer to the customer. The Group applies the relevant output or input method consistently to similar performance obligations in other contracts.

When using the output method, the Group recognises revenue on the basis of direct measurements of the value to the customer of the goods and services transferred to date relative to the remaining goods and services under the contract. Where the output method is used, in particular for long term service contracts where the series guidance is applied, the Group often uses a method of time elapsed which requires minimal estimation. Certain long-term contracts use output methods based upon estimation of number of users, level of service activity or fees collected.

If performance obligations in a contract do not meet the over time criteria, the Group recognises revenue at a point in time. This may be at the point of physical delivery of goods and acceptance by a customer or when the customer obtains control of an asset or service in a contract with customer-specified acceptance criteria.

*Disaggregation of revenue*

The Group disaggregates revenue from contracts with customers by contract type, which includes (i) contracting/construction services, (ii) projects performed on a rates basis and (iii) residential development and construction as management believe this best depicts how the nature, amount, timing and uncertainty of the Group’s revenue and cash flows.

*Performance obligations*

The nature of contracts or performance obligations categorised within this revenue type includes (i) design/construct an asset on a mine site, (ii) provide agreed services on a rates basis and (iii) construct a residential dwelling.

The service contracts in this category include contracts with either a single or multiple performance obligations.

The Group considers that the services provided meet the definition of a series of distinct goods and services as they are (i) substantially the same and (ii) have the same pattern of transfer (as the series constitutes services provided in distinct time increments (e.g. monthly or annual services)) and therefore treats the series as one performance obligation.

*Contract assets and contract liabilities*

The Group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in the statement of financial position. Similarly, if the Group satisfies a performance obligation before it receives the consideration, the Group recognises either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

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

## NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (g) Revenue from Contracts with customers (continued)

As a result of the contracts which the Group enters into with its customers, a number of different assets and liabilities are recognised on the Group's balance sheet. These include but are not limited to:

- Trade receivables
- Accrued income
- Deferred income

*(i) Rendering of services*

Revenue recognition relating to the provision of services is determined with reference to the stage of completion of the transaction at reporting date and where outcome of the contract can be estimated reliably. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent that related expenditure is recoverable.

*(ii) Interest income*

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

*(iii) Dividends*

Dividends are recognised as revenue when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits. However, the investment may need to be consequently tested for impairment.

### (h) Income tax

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

The current income tax charge is calculated based on the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate based on amounts expected to be paid to the tax authorities.

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. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance date.

Deferred income tax is provided on all temporary differences at the balance 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 difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

## NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (h) Income tax (continued)

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets 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 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 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 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 relate to the same taxable entity or entities within a tax consolidated group and the same taxation authority.

*Tax consolidation legislation*

Resource Development Group Limited and its 100% owned Australian subsidiary, Central Systems Pty Ltd has implemented the tax consolidation legislation. See Note 3 for further information on how the Group accounts for income tax consolidation.

### (i) 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 as applicable; and
- receivables and payables, which are stated with the amount of GST included.

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

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

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

## NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (j) Business combinations

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or business under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, the liabilities incurred, and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified as either equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

### (k) Impairment of assets

The Group assesses at each balance 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 or 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 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. Impairment 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 revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each balance 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 increased 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 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.

### (l) Cash and cash equivalents

Cash comprises cash at bank and in hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

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

## NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (m) Trade and other receivables

Trade receivables are measured on initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method, less any allowance for impairment. Trade receivables are generally due for settlement within 30 days.

The Group measures the loss allowance for trade and other receivables at an amount equal to lifetime expected credit loss. The expected credit losses on trade and other receivables are estimated with reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtor, general economic conditions of the industry in which the debtor operates and an assessment of both the current and the forecast direction of conditions at the reporting date.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery; for example, when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier.

The impairment allowance is set equal to the difference between the carrying amount of the receivable and the present value of estimated future cash flows, discounted at the original effective interest rate. Where receivables are short-term discounting is not applied in determining the allowance.

The amount of the impairment loss is recognised in the statement of comprehensive income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of profit or loss and other comprehensive income.

### (n) Inventories

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition is accounted for as follows:

Raw materials – purchase cost on a first-in, first-out basis; and

Finished goods and work-in-progress – cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

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

Inventories are measured at the lower of cost and net realisable value.

### (o) Work in Progress

Work in progress is measured at cost, plus profit recognised to date less any provision for anticipated future losses. Cost includes both variable and fixed costs relating to specific contracts, and those costs that are attributable to the contract activity in general and that can be allocated on a reasonable basis.

Profits are recognised using the input method on the basis of the Group's estimates on inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation.

Revenue has been recognised on the basis of the terms of the contract adjusted for any variations or claims allowable under the contract.

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

## NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (p) Property, plant and equipment

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.

Depreciation is calculated on a reducing balance basis over the estimated useful life of the assets as follows:

Plant and equipment – over 2 to 20 years

Motor Vehicle – over 4 to 6 years

Leasehold improvements – over 10 to 13 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

*(ii) Derecognition and disposal*

An item of property, plant and equipment is derecognised upon disposal or when no further 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 asset is derecognised.

### (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. Trade and other payables are presented as current liabilities unless payment is not due within 12 months.

### (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. Provisions are not recognised for future operating losses.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as separate assets but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

Provisions are measured at the present value or management’s best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability.

When discounting is used, the increase in the provision due to the passage of time is recognised as an interest expense.

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

## NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (s) Employee leave benefits

*(i) Wages, salaries and annual leave*

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

Liabilities accruing to employees in respect of wages and salaries, annual leave and long service leave not expected to be settled within 12 months of the balance date are recognised in non-current other payables in respect of employees' services up to the balance date. They are measured as the present value of the estimated future outflows to be made by the Group.

*(ii) Long service leave*

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the balance date. Consideration is given to expected future wage and salary levels, experience of employee departures, and period of service. Expected future payments are discounted using market yields at the balance date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

### (t) Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a new business are not included in the cost of acquisition as part of the purchase consideration.

### (u) Dividends

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

### (v) Earnings per share

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

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

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

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

## NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (w) Parent entity financial information

The financial information for the legal parent entity, disclosed in Note 22 has been prepared on the same basis as the consolidated financial statements, except as set out below.

*(i) Investments in subsidiaries, associates and joint venture entities*

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of Resource Development Group Ltd. Dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

*(ii) Share-based payments*

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution to that subsidiary undertaking. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

### (x) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised at their fair value or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised.

Finance lease assets are depreciated on a straight-line basis over the estimated useful life of the asset.

Accounting policy applied to the information presented for the current period under AASB 16 *Leases*:

At the commencement date of a lease (other than leases of 12-months or less and leases of low value assets), the Company recognises a lease asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

*Lease assets*

Lease assets are initially recognised at cost, comprising the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date of the lease, less any lease incentives received, any initial direct costs incurred by the Company, and an estimate of costs to be incurred by the Company in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Subsequent to initial recognition, lease assets are measured at cost (adjusted for any remeasurement of the associated lease liability), less accumulated depreciation and any accumulated impairment loss.

Lease assets are depreciated over the shorter of the lease term and the estimated useful life of the underlying asset, consistent with the estimated consumption of the economic benefits embodied in the underlying asset.

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

## NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (x) Leases (continued)

*Lease liabilities*

Lease liabilities are initially recognised at the present value of the future lease payments (i.e., the lease payments that are unpaid at the commencement date of the lease). These lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined, or otherwise using the Company's incremental borrowing rate.

Subsequent to initial recognition, lease liabilities are measured at the present value of the remaining lease payments (i.e., the lease payments that are unpaid at the reporting date). Interest expense on lease liabilities is recognised in profit or loss (presented as a component of finance costs). Lease liabilities are remeasured to reflect changes to lease terms, changes to lease payments and any lease modifications not accounted for as separate leases.

Variable lease payments not included in the measurement of lease liabilities are recognised as an expense when incurred.

*Leases of 12-months or less and leases of low value assets*

Lease payments made in relation to leases of 12-months or less and leases of low value assets (for which a lease asset and a lease liability has not been recognised) are recognised as an expense on a straight-line basis over the lease term.

<u>Accounting policy applied to the information presented for the prior period under AASB 117 Leases:</u>

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

### (y) Share-based payment transactions

*Equity settled transactions:*

The Group provides benefits to employees (including senior executives) of the Group in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

There is currently one plan in place to provide these benefits:

- the Employee Share Option Plan (ESOP), which provides benefits to directors, senior executives and other parties.

The cost of these equity-settled transactions with the grantees is measured by reference to the fair value of the equity instruments at the date at which they are granted.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Resource Development 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 and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each balance date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Group's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

The statement of comprehensive income charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

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

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

## NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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. In addition, an 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 a 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 (see Note 5).

### (z) Financial instruments

*Recognition and derecognition*

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

*Classification and initial measurement of 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:

- amortised cost
- fair value through profit or loss (FVTPL)
- equity instruments at fair value through other comprehensive income (FVOCI)
- debt instruments at fair value through other comprehensive income (FVOCI).

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

The classification is determined by both:

- the entity’s business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

*Subsequent measurement of financial assets*

*<u>Financial assets at amortised cost</u>*

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

- they are held within a business model whose objective is to hold the financial assets to collect its contractual cash flows
- 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 as well as listed bonds that were previously classified as held-to-maturity under IAS 39.

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

## NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (z) Financial instruments (continued)

*Impairment of financial assets*

AASB 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. This replaced AASB 139's 'incurred loss model'.

Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under AASB 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

Recognition of credit losses is no longer dependent on the Group first identifying a credit loss event. Instead the Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Level 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Level 2').
- 'Level 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Trade and other receivables and contract assets

The Group makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Group assess impairment of trade receivables on a collective basis as they possess shared credit risk characteristics they have been grouped based on the days past due.

Classification and measurement of financial liabilities

The Group's financial liabilities include borrowings, trade and other payables and derivative financial instruments.

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 FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

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

## NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (aa) Deferred Exploration Expenditure

Exploration and evaluation costs including costs of studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortisation of assets used in exploration and evaluation activities along with those for general and administrative costs are expensed in the period they are incurred. Acquisition costs of acquiring are capitalised until the viability of the area of interest is determined. Those acquisition costs are carried forward when the following conditions are satisfied:

(i) the rights to tenure of the area of interest are current; and

(ii) at least one of the following conditions is also met:

a) the exploration and evaluation expenditures are expected to be recouped through successful development and exploration of the area of interest, or alternatively, by its sale; or

b) exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset (for the cash generating unit(s) to which it has been allocated being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Where a decision has been made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment and the balance is then reclassified to development.

### (ab) Development Expenditure

Development expenditure incurred by or on behalf of the Group is accumulated separately for each of interest in which economically recoverable resources have been identified. Such expenditure comprises cost directly attributable to the construction of a mine and the related infrastructure.

Once a development decision has been taken, the carrying amount of the exploration and evaluation expenditure in respect of the area of interest is aggregated with the development expenditure and classified under non-current assets as development properties.

A development property is reclassified as a mining property at the end of the commissioning phase, when the mine is capable of operating in the manner intended by management.
Depreciation is charged using the units-of-production method, with separate calculations being made for each area of interest. The units-of-production basis results in a depreciation charge proportional to the depletion of proved, probable and estimated reserves. Development properties are tested for impairment in accordance with the policy on impairment of assets.

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

## NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (ac) Critical accounting estimates and judgements

The application of accounting policies requires the use of judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions are recognised in the period in which the estimate is revised if it affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

*Recovery of deferred tax assets*

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that sufficient future tax profits will be available to utilise those temporary differences. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits.

*Share-based payment transactions:*

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted.

*Consideration of impairment of property, plant and equipment*

As a result of the Group incurring a loss for the year, the Group considered the requirements of AASB 136 *Impairment of Assets*, and specifically whether an indicator of impairment existed in relation to the carrying value of the Group's property, plant and equipment. The Group did not consider that there were any indicators of impairment in respect of these items at balance date.

*Coronavirus (COVID-19) pandemic*

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Company based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the Company operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Company unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

*Allowance for expected credit losses*

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience, historical collection rates, the impact of the Coronavirus (COVID-19) pandemic and forward-looking information that is available. The allowance for expected credit losses, as disclosed in note 7, is calculated based on the information available at the time of preparation. The actual credit losses in future years may be higher or lower.

*Lease term*

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the Company's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. This reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

*Incremental borrowing rate*

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the Company estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

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

## NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (ad) New standards and interpretations not yet adopted

At the date of authorisation of the financial statements, the Group has not applied the following new and revised Australian Accounting Standards, Interpretations and amendments that have been issued but are not yet effective:

| New or Revised Requirements | Effective date for entity | Impact |
|---|---|---|
| **AASB 17 Insurance Contracts**<br>This standard will change insurance accounting in Australia, the level of impact will vary depending on the type of insurance entity and the current systems in place. AASB 17 treats insurance products with similar risks in the same manner, regardless of whether they are labelled as 'general', 'life' or 'health' insurance. Some products offered by life insurance entities may now qualify for a simpler way of determining their insurance liabilities. AASB 17 requires an insurer to recognise profits as it delivers insurance services (rather than when it receives premiums) and to provide information about insurance contract profits the company expects to recognise in the future. Insurer will reflect the time value of money in expected payments to settle incurred claims and will measure their insurance contracts based only on the obligations created by these contracts | 1 January 2021 | The Directors have determined that there will be no impact on the financial position of the company as a result of the change. |
| **AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an investor and its Associate or Joint Venture, AASB 2015-10 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and AASB 2017-5 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial corrections**<br>The amendments to AASB 10 Consolidated Financial Statements and AASB 128 Investment in Associates and Joint Ventures deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture | 1 January 2022 (Editorial corrections in AASB 2017-5 applied from 1 January 2018) | The Directors do not anticipate that the amendments will have a material impact on the Group. |
| **AASB 2018-6 Amendments to Australian Account Standards - Definition of a business**<br>This standard amends AASB 3 to clarify the definition of a business, assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. | 1 January 2020 | The Directors have determined that there will be no impact on the financial position of the company as a result of the change. |

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

## NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (ad) New standards and interpretations not yet adopted (continued)

| New or Revised Requirements | Effective date for entity | Impact |
|---|---|---|
| **AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material**<br>This standard makes amendments intended to address concerns that the wording in the definition of 'material' was different in the Conceptual Framework for Financial Reporting, AASB 101 Presentation of Financial Statements and AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors. The amendments address these concerns by: replacing the term 'cold influence with 'could reasonably be expected to influence'; including the concept of 'obscuring information' alongside the concepts of 'omitting' and 'misstating' information in the definition of material; clarifying that the users to which the definition refers are the primary users of general purpose financial statements referred to the Conceptual Framework; and aligning the definition of material across Australian Accounting Standards and other publications. | 1 January 2020 | The Directors have determined that there will be no impact on the financial position of the company as a result of the change. |
| **AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework**<br>The revised conceptual framework:<br>• Reintroduces the terms stewardship and prudence.<br>• Introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces but does not change the distinction between a liability and an equity instrument.<br>• Removes from the asset and liability definitions references to the expected flow of economic benefits–this lowers the hurdle for identifying the existence of an asset or liability and puts more emphasis on reflecting uncertainty in measurement.<br>• Discusses historical cost and current value measures and provides some guidance on how the IASB would go about selecting a measurement basis for a particular asset or liability.<br>• States that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances will the IASB use other comprehensive income and only for income or expenses that arise from a change in the current value of an asset or liability.<br>• Discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements. | 1 January 2020 | The Directors have determined that there will be no impact on the financial position of the company as a result of the change. |
| **AASB 2019 -3 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform**<br>This standard amends AASB 7, AASB 9 and AASB 139 to modify some specific hedge accounting requirements to provide relief from the potential effects of the uncertainty caused by the interest rate benchmark reform. In addition, the amendments require entities to provide additional information about their hedging relationships that are directly affected by these uncertainties. | 1 January 2020 | The Directors have determined that there will be no impact on the financial position of the company as a result of the change. |

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

## NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (ad) New standards and interpretations not yet adopted (continued)

| New or Revised Requirements | Effective date for entity | Impact |
|---|---|---|
| **AASB 2019-5 Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia**<br>This standards amends AASB 1054 Australian Additional Disclosures to add a requirement for entities that intend to be compliant with IFRS standards to disclose the information required by AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors (specifically paragraphs 30 and 31) for the potential effect of each IFRS pronouncement that has not yet been issued by the AASB. | 1 January 2020 | The Directors have determined that there will be no impact on the financial position of the Group as a result of the change. |
| **AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current**<br>This standards amends AASB 101 Presentation of Financial Statements to: Clarify that the classification of liabilities as current or non-current is based on rights that in existence at the end of the reporting period; Specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; Explain that rights are in existence if covenants are complied with at the end of the reporting period; and Introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. | 1 January 2022 | The Directors have not yet assessed the impact that the application of this standard will have on the Group's financial statements |
| **AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments**<br>This standard amends numerous Standards to effect of number of minor changes. The amendments apply to annual reporting periods beginning on or after 1 January 2022 (apart from the amendments to AASB 16 which affect the Illustrative Examples which accompanying but are not part of the Standard and so do not have an effective date) The annual improvements amend the following standards: AASB 1, AASB 9, AASB 16 and AASB 137. | 1 January 2022 | The Directors anticipate that the application of the amendments will not have impact on the Group's financial statements, as many of the amendments either do not have affect the Group's existing accounting policies, or apply to situations, transactions and events that the Group does not undertake. |

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

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(ad) New standards and interpretations not yet adopted (continued)**

| New or Revised Requirements | Effective date for entity | Impact |
|---|---|---|
| **AASB 2020-4 Amendments to Australian Accounting Standards – COVID-19 Related Rent Concessions**<br>This standard amends AASB 16 Leases to provide practical relief to lessees in accounting for rent concessions arising as a result of COVID-19, by including an additional practical expedient in the standard. The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change applying AASB 16 if the change were not a lease modification. The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met: The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; Any reduction in lease payments affects only payments originally due on or before 30 June 2021 (a rent concession would meet this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021); and There is no substantive change to other terms and conditions of the lease | 1 June 2020 | The Directors do not anticipate that the amendments will have a material impact on the Group. |

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

### NOTE 2: REVENUE AND EXPENSES

| | Consolidated 2020 $ | Consolidated 2019 $ |
|---|---|---|
| **(a) Revenue** | | |
| Rendering of services – over time | 30,384,916 | 38,535,695 |
| | 30,384,916 | 38,535,695 |
| **(b) Other income** | | |
| Interest income | 173,112 | 250,243 |
| Insurance proceeds | 99,221 | 17,066 |
| Miscellaneous | - | 5,909 |
| Fuel tax credits | - | 43,676 |
| | 272,333 | 316,894 |
| **(c) Expenses** | | |
| Depreciation and amortisation of non-current assets (including Right-of-Use Assets) | (2,958,874) | (3,567,355) |
| Operating lease rental expense | - | (493,949) |
| Share based payments expense | - | (12,446) |
| Impairment charge – Goodwill on MSA acquisition (Note 28) | - | (1,687,969) |
| Profit on sales of assets | 1,716,758 | 3,919 |

The Group derives its revenue from the provision of services over time in the following major segments. This is consistent with the revenue information that is disclosed for each reportable segment under AASB 8, refer note 4.

| | 2020 $ | 2019 $ |
|---|---|---|
| **Over time** | | |
| Construction | 20,937,377 | 31,383,532 |
| Contracting | 9,447,539 | 7,152,163 |
| Total revenue | 30,384,916 | 38,535,695 |

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

### NOTE 3: INCOME TAX

| | Consolidated 2020 $ | Consolidated 2019 $ |
|---|---|---|
| **Income tax recognised in profit or loss:** | | |
| The major components of tax expense are: | | |
| Current tax (benefit)/expense | 249,203 | 234,011 |
| Deferred tax (income) relating to the origination and reversal of temporary differences | (259,273) | 363,634 |
| Change in tax rate | 41,998 | - |
| Total tax expense/(benefit) | 31,928 | 597,645 |

| | Consolidated 2020 $ | Consolidated 2019 $ |
|---|---|---|
| The prima facie income tax benefit on pre-tax accounting loss from operations reconciles to the income tax benefit in the financial statements as follows: | | |
| Accounting profit/(loss) from continuing operations before income tax | 1,793,350 | (2,066,923) |
| Income tax benefit calculated at (2019: 27.5%) | 538,005 | (568,404) |
| Add: | | |
| Tax effect of: | | |
| Entertainment | 1,978 | 2,556 |
| Fines and penalties | - | 110 |
| Share based payments | - | 3,422 |
| Impairment of goodwill | - | 464,191 |
| Property, plant & equipment revalued through equity in prior years | - | 78,643 |
| Tax losses not recognised in prior periods and deducted during current period | (546,188) | - |
| Change in tax rate | 41,998 | - |
| Other | (6,647) | (28,276) |
| Tax losses not recognised | 2,782 | 645,402 |
| Income tax expense/(benefit) reported in the statement of profit or loss and other comprehensive income | 31,928 | 597,645 |

The tax rate used in the above reconciliation is the corporate tax rate of 30% (2019: 27.5%) payable by Australian corporate entities on taxable profits under Australian tax law.

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

**NOTE 3: INCOME TAX (continued)**

| | Consolidated | |
|---|---|---|
| | 2020 | 2019 |
| | $ | $ |
| **Current tax assets/ liabilities comprise:** | | |
| Income tax (payable)/refundable | (124,615) | (59,736) |
| | (124,615) | (59,736) |
| **Deferred tax assets comprise:** | | |
| Lease liability | 16,945 | - |
| Superannuation payable | - | 12,553 |
| Provisions – employee benefits | 216,399 | 164,346 |
| Accrued expenses | 123,490 | 52,549 |
| Doubtful debts provision | - | 59,099 |
| Tax losses | 64,471 | - |
| Mining tenement | 23,216 | - |
| Blackhole expenditure and borrowing costs | 24,254 | 32,611 |
| | 468,775 | 321,158 |
| **Deferred tax liabilities comprise:** | | |
| Prepayments | 20,467 | 31,870 |
| Stock on hand | 5,504 | 3,820 |
| Right-of-Use assets | 15,704 | - |
| Depreciable property, plant and equipment | 678,455 | 754,096 |
| | 720,130 | 789,786 |
| Net | (251,355) | (468,628) |

The Group has capital losses of approximately $11,562,407 arising in Australia (2019: $11,562,407) that are available indefinitely for offset against future capital gains of the tax consolidated group, subject to satisfying the relevant company loss provisions. No deferred tax asset has been recognised for capital losses as it is not probable that capital gains will be available against which the carried forward capital losses can be utilised.

The entities of the MSA group have the following carried forward tax/capital losses:

Crushing Service Solutions Pty Ltd - $672,594 tax losses (2019: $2,093,356);

Crushing Service Solutions Pty Ltd - $30,784 capital losses (2019: 30,784);

Aggregate Crushing Australia Pty Ltd - $100,107 tax losses (2019: $512,963); and

Ore Sorting Australia Pty Ltd - $140,509 tax losses (2019: $131,224).

No deferred tax asset has been recognised for tax/capital losses any of the MSA group companies as it is not probable that taxable income/capital gains will be available against which the carried forward losses can be utilised.

Given Mineral Resources Limited acquired 75% of the Company on 17 June 2020, it is likely that Crushing Service Solutions Pty Ltd and Aggregate Crushing Australia Pty Ltd will fail the "Continuity of Ownership Test" (COT) during the year ended 30 June 2020. However, both companies have carried on a similar business during the period 1 July 2018 to 30 June 2020, being the relevant test period for the "Similar Business Test" (SBT).

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

**NOTE 3: INCOME TAX (continued)**

**Reconciliation of deferred tax assets/(liabilities):**

| | Consolidated | | | | |
|---|---|---|---|---|---|
| 2020 | Opening balance $ | Change in tax rate $ | Charged to income $ | Charged to equity $ | Closing balance $ |
| Temporary differences | 121,122 | 10,855 | 78,724 | - | 210,701 |
| Property, plant and equipment | (754,096) | (67,582) | 143,223 | - | (678,455) |
| Provisions | 164,346 | 14,729 | 37,324 | - | 216,399 |
| Tax losses carried forward | - | - | - | - | - |
| | (468,628) | (41,998) | 259,271 | - | (251,355) |

| | Consolidated | | | | |
|---|---|---|---|---|---|
| 2019 | Opening balance $ | Change in tax rate $ | Charged to income $ | Charged to equity $ | Closing balance $ |
| Temporary differences | 112,329 | - | 8,793 | - | 121,122 |
| Property, plant and equipment | (798,504) | - | 44,408 | - | (754,096) |
| Provisions | 129,900 | - | 34,446 | - | 164,346 |
| Tax losses carried forward | 451,280 | - | (451,280) | - | - |
| | (104,995) | - | (363,633) | - | (468,628) |

**Tax consolidation**

Effective 1 July 2011, for the purposes of income taxation, Resource Development Group Limited and its 100% owned Australian resident subsidiaries formed a tax consolidated group. Central Systems Pty Ltd and CS Civil Construction Pty Ltd joined the tax consolidated group as subsidiary members on 3 October 2014. Prior to joining, Central Systems Pty Ltd and CS Civil Construction Pty Ltd had formed a tax consolidated group, effective from 1 July 2013.

The members of the Group have entered into a tax sharing arrangement in order to allocate income tax expense to the wholly-owned subsidiaries on a pro-rata basis. The agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. The head entity of the tax consolidated group is Resources Development Group Limited. No amounts have been recognised in the financial statements in respect of this agreement on the basis that the possibility of default is remote.

The MSA group has not formed a tax consolidated group and therefore each entity of that group accounts for income tax on a stand-alone basis.

**Tax effect accounting by members of the tax consolidated group**

The head entity and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Group has applied the group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group. The current and deferred tax amounts are measured in a systematic manner that is consistent with the broad principles in AASB 112 *Income Taxes*.

In addition to its own current and deferred tax amounts, the head entity also recognises current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

**Franking credits**

The Group has franking credits of $4,354,920 as at 30 June 2020 (2019: $4,053,976) to attach to future dividends declared by the Company. The franking credits of the subsidiaries are assumed by Resource Development Group Limited as the head company of the tax consolidated group.

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

## NOTE 4: SEGMENT REPORTING

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.

Information regarding these segments is presented below. The accounting policies of the reportable segments are the same as the Group's accounting policies.

The following tables are an analysis of the Group's revenue and results by reportable segment provided to the Board for the year ended 30 June 2020 and 30 June 2019.

| 30 June 2020 | Construction $ | Contracting $ | Mining | Other $ | Corporate $ | Consolidated $ |
|---|---|---|---|---|---|---|
| Revenue and other income | 20,938,156 | 9,452,650 | - | - | 266,443 | 30,657,249 |
| Profit/(loss) before income tax | 5,145,722 | 1,492,086 | - | (1,800,161) | (3,044,297) | 1,793,350 |
| Income tax (expense)/benefit | - | (43,855) | - | - | 11,927 | (31,928) |
| Profit/(loss) after income tax | 5,145,722 | 1,448,231 | - | (1,800,161) | (3,032,370) | 1,761,422 |
| Interest revenue | - | 5,889 | - | - | 167,223 | 173,112 |
| Interest expense | - | 282,180 | - | - | 70,847 | 353,027 |
| Depreciation & amortisation | 2,017,853 | - | - | - | 941,021 | 2,958,874 |
| Segment assets | 3,366,501 | 8,476,517 | 49,337,000 | - | 17,893,137 | 79,073,155 |
| Segment liabilities | 2,651,614 | 5,913,255 | - | - | 4,067,026 | 12,631,895 |
| Acquisition of non-current assets | - | 1,703,506 | 49,337,000 | - | 175,432 | 51,215,938 |

| 30 June 2019 | Construction $ | Contracting $ | Mining | Other $ | Corporate $ | Consolidated $ |
|---|---|---|---|---|---|---|
| Revenue and other income | 31,383,532 | 7,201,748 | - | - | 267,309 | 38,852,589 |
| Profit/(loss) before income tax | 6,322,008 | (2,669,129) | - | (1,234,760) | (4,485,042) | (2,066,923) |
| Income tax (expense)/benefit | - | 17,614 | - | - | (615,259) | (597,645) |
| Profit/(loss) after income tax | 6,322,008 | (2,651,515) | - | (1,234,758) | (5,100,302) | (2,664,568) |
| Interest revenue | - | - | - | - | 250,343 | 250,343 |
| Interest expense | - | 487,106 | - | - | 15,812 | 502,918 |
| Depreciation & amortisation | - | 2,551,601 | - | - | 1,015,754 | 3,567,355 |
| Impairment losses | - | - | - | - | - | 1,687,969 |
| Segment assets | 2,283,624 | 9,074,758 | - | - | 18,626,070 | 29,984,452 |
| Segment liabilities | 3,126,639 | 7,654,241 | - | - | 3,860,734 | 14,641,614 |

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

### NOTE 4: SEGMENT REPORTING (continued)

**Major Customers**

The Group has three (2019: two) customers to whom it provided services where the revenue from that customer was in excess of 10% of the Group's revenue. These customers generated 62% (2019: 76%) of the Group's revenue for the period.

### NOTE 5: EARNINGS PER SHARE

| | Consolidated | |
|---|---|---|
| | 2020 | 2019 |
| | Cents per share | Cents per share |
| Basic and diluted loss per share | 0.21 | (0.28) |
| Profit/(Loss) after income tax attributable to owners of Resource Development Group Ltd used to calculate basic loss per share | 1,471,766 | (1,796,671) |
| | Number | Number |
| Weighted average number of ordinary shares for the purposes of basic and diluted loss per share | 699,660,940 | 631,582,149 |

### NOTE 6: CASH AND CASH EQUIVALENTS

| | Consolidated | |
|---|---|---|
| | 2020 | 2019 |
| | $ | $ |
| Cash at bank and on hand | 10,707,614 | 10,997,263 |

Cash at bank earns interest at floating rates based on daily bank deposit rates.

Security deposits are restricted cash used as collateral to obtain bank guarantee facilities. These deposits are interest bearing and the interest is compounded and added to operating cash reserves.

**(i) Reconciliation to the Statement of Cash Flows:**

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash on hand and at bank and investments in money market instruments, net of outstanding bank overdrafts.

Cash and cash equivalents as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

| | 2020 | 2019 |
|---|---|---|
| | $ | $ |
| Cash and cash equivalents | 10,707,614 | 10,997,263 |

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

## NOTE 6: CASH AND CASH EQUIVALENTS (continued)

### (ii) Reconciliation of net profit for the year to net cash flows from operating activities

| | Consolidated | |
|---|---|---|
| | 2020 | 2019 |
| | $ | $ |
| Net profit/(loss) for the year | 1,761,422 | (2,664,568) |
| (Profit)/loss on sale or disposal of assets | (1,716,758) | (3,919) |
| Depreciation and amortisation | 2,958,874 | 3,567,355 |
| Impairment of goodwill | - | 1,687,969 |
| Equity settled share-based payment | - | 12,446 |
| *(Increase)/decrease in operating assets:* | | |
| Trade and other receivables | (2,770,103) | (52,056) |
| Inventories | 335,335 | 359,419 |
| Deferred tax | (152,394) | 438,276 |
| *Increase/(decrease) in operating liabilities:* | | |
| Trade and other payables | (358,736) | 1,329,475 |
| Provisions | 78,065 | 143,966 |
| Net cash provided by operating activities | 135,705 | 4,818,363 |

### (iii) Changes in liabilities arising from financing activities

| 30 June 2020 | Hire Purchase $ | Lease Liability $ | Total $ |
|---|---|---|---|
| Opening balance | - | 6,430,460 | 6,430,460 |
| Acquisition of plant and equipment by means of hire purchase | - | 1,539,197 | 1,539,197 |
| Adoption of AASB 16 | 108,829 | - | 108,829 |
| Financing cashflows | (52,345) | (3,319,952) | (3,372,297) |
| | 56,484 | 4,649,705 | 4,706,189 |

| 30 June 2019 | Hire Purchase $ | Total $ | |
|---|---|---|---|
| Opening balance | - | - | - |
| Acquisition of plant and equipment by means of hire purchase | - | 2,944,991 | 2,944,991 |
| Acquisition through business combination | - | 7,331,716 | 7,331,716 |
| Financing cashflows | - | (3,846,247) | (3,846,247) |
| | - | 6,430,460 | 6,430,460 |

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

## NOTE 6: CASH AND CASH EQUIVALENTS (continued)

### (ii) Non-cash investing and financing activities

| | Consolidated | |
|---|---|---|
| | 2020 | 2019 |
| | $ | $ |
| Property, plant and equipment – hire purchases | 1,539,197 | 2,944,991 |
| Right-of-Use-asset | 108,829 | - |
| Exploration and development | 49,337,000 | - |
| | 50,985,026 | 2,944,991 |

## NOTE 7: CURRENT TRADE AND OTHER RECEIVABLES

| | Consolidated | |
|---|---|---|
| | 2020 | 2019 |
| | $ | $ |
| Trade receivables | 6,029,318 | 3,554,330 |
| Allowance for expected credit losses | - | (214,904) |
| | 6,029,318 | 3,339,426 |
| Loan receivable[1] (inclusive of accrued interest) | 1,650,615 | 1,558,438 |
| Other receivables | 102,255 | 75,905 |
| Accrued income | 6,146 | 65,919 |
| Prepayments | 443,957 | 422,500 |
| | 8,232,291 | 5,462,188 |

[1] A loan agreement exists between Resource Development Group Limited (RDG) and Bullseye Mining Limited (BML), its majority joint venture partner in a new company yet to be incorporated. The loan agreement is intended to assist funding various costs within BML, in anticipation of a future capital raising. The principal terms of the agreement are as follows:

- The funding is capped at $1.5m;
- Interest is calculated daily at a rate of 6% per annum;
- The original term of the agreement is for a maximum period terminating on 10 July 2019, however this was subsequently extended for various periods;
- The loan is secured by a first ranking registered mortgage granted by BML over its right, title and interest in Mining Lease M37/1167 (which holds the Bungarra gold deposit) under the Mining Act 1978 (WA); and
- The loan was repaid on 16 July 2020.

(i) The average credit period on sales of goods and rendering of services is 46 days (2019: 35 days). Interest is not charged. No allowance is required to be made for estimated irrecoverable trade receivable amounts and related party loans arising from the past sale of goods and rendering of services, determined by reference to past default experience.

(ii) For details of the terms and conditions of related party receivables refer to Note 19.

The balances of receivables that remain within initial trade terms (as detailed in the table) are considered to be of high credit quality and have been collected subsequent to year-end.

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

### NOTE 7: CURRENT TRADE AND OTHER RECEIVABLES (continued)

| | Consolidated | |
|---|---|---|
| | 2020 | 2019 |
| Aging of past due but not impaired | $ | $ |
| 30 – 60 days | 57,762 | 638,990 |
| 60 – 90 days | 41,777 | - |
| 90+ days | 100,530 | - |
| Total | 200,069 | 638,990 |

Movement in the allowance for expected credit losses

| | Consolidated | |
|---|---|---|
| | 2020 | 2019 |
| | $ | $ |
| Balance at the beginning of the year | (214,904) | - |
| Bad debt written off | 214,904 | - |
| Allowance for expected credit losses recognised | - | (214,904) |
| Balance at the end of the year | - | (214,904) |

### NOTE 8: INVENTORIES

| | Consolidated | |
|---|---|---|
| | 2020<br>$ | 2019<br>$ |
| At cost: | | |
| Raw materials and stores | 18,346 | 13,890 |
| Work in progress (i) | 31,851 | 371,642 |
| | 50,197 | 385,532 |

(i) Work in progress

| | Consolidated | |
|---|---|---|
| | 2020<br>$ | 2019<br>$ |
| Contract costs incurred | 62,532,154 | 46,197,860 |
| Recognised profits | 12,970,903 | 9,042,506 |
| | 75,503,057 | 55,240,366 |
| Progress billings | (78,122,820) | (57,995,363) |
| Work in progress | (2,619,763) | (2,754,997) |
| Income in advance | 2,651,614 | 3,126,639 |
| | 31,851 | 371,642 |

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

## NOTE 9: PROPERTY, PLANT AND EQUIPMENT

| | Consolidated | | | |
|---|---|---|---|---|
| | Motor vehicles | Plant and equipment | Leasehold Improvements | Total |
| | $ | $ | $ | $ |
| Year ended 30 June 2020 | | | | |
| At 1 July 2019, net of accumulated depreciation and impairment | 901,599 | 11,878,670 | 38,042 | 12,818,311 |
| Additions | - | 1,770,109 | - | 1,770,109 |
| Disposals | (93,287) | (1,367,810) | - | (1,461,097) |
| Depreciation charge for the year | (50,102) | (2,814,826) | (37,462) | (2,902,390) |
| At 30 June 2020, net of accumulated depreciation and impairment | 758,210 | 9,466,143 | 580 | 10,224,933 |
| | | | | |
| At 30 June 2020 | | | | |
| Cost or fair value | | | | 28,895,706 |
| Accumulated depreciation and impairment | | | | (18,670,773) |
| Net carrying amount | | | | 10,224,933 |

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

## NOTE 9: PROPERTY, PLANT AND EQUIPMENT (continued)

| | Consolidated | | | |
|---|---|---|---|---|
| | Motor vehicles | Plant and equipment | Leasehold Improvements | Total |
| | $ | $ | $ | $ |
| Year ended 30 June 2019 | | | | |
| At 1 July 2018, net of accumulated depreciation and impairment | 765,477 | 4,902,185 | 1,613 | 5,669,275 |
| Assets acquired through business combination (see Note 23) | 171,822 | 7,207,357 | 39,342 | 7,418,521 |
| Additions | 152,025 | 3,209,881 | - | 3,361,906 |
| Disposals | - | (64,036) | - | (64,036) |
| Depreciation charge for the year | (187,725) | (3,376,717) | (2,913) | (3,567,355) |
| At 30 June 2019, net of accumulated depreciation and impairment | 901,599 | 11,878,670 | 38,042 | 12,818,311 |
| | | | | |
| At 30 June 2019 | | | | |
| Cost or fair value | | | | 28,530,210 |
| Accumulated depreciation and impairment | | | | (15,711,899) |
| Net carrying amount | | | | 12,818,311 |

The useful life of the assets was estimated as follows for both 2020 and 2019:

- Plant and equipment 2 to 20 years
- Motor vehicles 4 to 6 years
- Leasehold improvements 10 to 13 years

## NOTE 10: ASSET ACQUISITION

On 12 March 2020 , the Company executed an asset sale agreement with Mineral Resources Limited (MRL) and its wholly owned subsidiary, Auvex Resources Pty Ltd to acquire a 100% interest in the Ant Hill and Sunday Hill manganese projects located in Western Australia comprising of mining leases M6/237, M46/238 and miscellaneous licence L46/67 (Tenements) (Asset Sale Agreement). This transaction was subsequently approved by the Company's shareholders at a General Meeting held on 2 June 2020.

Under this Asset Sale Agreement, MRL has been issued with 1,897,587,201 fully paid ordinary shares of the Company which equates to 75% of the Company's total issued capital on a fully diluted basis. The Company and MRL have also entered into Service Agreement and Loan Agreement. Under the Service Agreement, the Company has agreed to engage MRL to undertake resource drilling, design, supply & construct the processing and non-processing infrastructure, commission the plant and supply the mining equipment to commence mining on the Tenements. Under Loan Agreement, MRL has agreed to advance working capital funds to the Company via a secured loan of up to $35 million (Loan). The Loan will have a 5-year term with an interest rate of 8.125% per annum and includes standard terms for a loan agreement including undertakings, covenants and default events.

The above transactions were accounted for as an acquisition of assets. Deferred exploration expenditure assets of $24,282,000 were recognised for the acquired Ant Hill and Sunday Hill projects and a development expenditure asset of $25,055,000 recognised in relation to the Service Agreement.

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

### NOTE 11: DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

Carrying value

| | Consolidated | |
|---|---|---|
| | 2020 | 2019 |
| | $ | $ |
| Exploration and evaluation costs | 24,282,000 | - |
| | | |
| Reconciliation | | |
| Opening balance | - | - |
| Acquisitions (Note 10) | 24,282,000 | - |
| Closing balance | 24,282,000 | - |

The recoupment of costs carried forward in relation to areas of interest in the exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the respective areas:

### NOTE 12: DEVELOPMENT EXPENDITURE

| | Consolidated | |
|---|---|---|
| | 2020 | 2019 |
| | $ | $ |
| Cost | 25,055,000 | - |
| Accumulated amortisation | - | - |
| | 25,055,000 | - |
| | | |
| Reconciliation | | |
| Opening balance | - | - |
| Acquisitions (Note 10) | 25,055,000 | - |
| Closing balance | 25,055,000 | - |

Development expenditure incurred by or on behalf of the Group is accumulated separately for each of interest in which economically recoverable resources have been identified. Such expenditure comprises cost directly attributable to the construction of a mine and the related infrastructure.

Once a development decision has been taken, the carrying amount of the exploration and evaluation expenditure in respect of the area of interest is aggregated with the development expenditure and classified under non-current assets as development properties.

A development property is reclassified as a mining property at the end of the commissioning phase, when the mine is capable of operating in the manner intended by management.

Depreciation is charged using the units-of-production method, with separate calculations being made for each area of interest. The units-of-production basis results in a depreciation charge proportional to the depletion of proved, probable and estimated reserves. Development properties are tested for impairment in accordance with the policy on impairment of assets.

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

### NOTE 13: LEASE ASSETS AND LEASE LIABILITIES

**Lease arrangements (30 June 2020)**

The following information relates to the current reporting period only and is presented in accordance with AASB 16 Leases (which was applied by the Company for the first time in the current reporting period).

| | 2020 | 2019 |
|---|---|---|
| **Lease assets** | **$** | **$** |
| Carrying amount of lease assets, by class of underlying asset: | | |
| *Buildings under lease arrangements* | | |
| Recognised (Right-of-Use assets) on adoption of AASB 16 | 108,829 | - |
| Accumulated amortisation | (56,484) | - |
| | 52,345 | - |
| Reconciliation of the carrying amount of lease assets at the beginning and end of the financial year: | | |
| Adoption of AASB 16 at 1 July 2019 | 108,829 | - |
| Amortisation | (56,484) | - |
| Carrying amount at 30 June 2020 | 52,345 | - |

### NOTE 14: TRADE AND OTHER PAYABLES

| | Consolidated | |
|---|---|---|
| | 2020 | 2019 |
| Current | $ | $ |
| Trade payables | 2,399,787 | 2,321,040 |
| Other payables | 1,308,231 | 1,270,689 |
| Income received in advance | 2,651,614 | 3,126,639 |
| | 6,359,632 | 6,718,368 |

Trade payables are non-interest bearing and are normally settled on 30-day terms.

### NOTE 15: BORROWINGS

| | Consolidated | |
|---|---|---|
| | 2020 | 2019 |
| **Current** | $ | $ |
| Hire purchase liabilities | 2,486,667 | 2,894,049 |
| | 2,486,667 | 2,894,049 |
| **Non-current** | | |
| Hire purchase liabilities | 2,163,038 | 3,536,411 |
| | 2,163,038 | 3,536,411 |
| Total borrowings | 4,649,705 | 6,430,460 |
| | | |
| **Secured** | | |
| Hire purchase liabilities (1) | 4,649,705 | 6,430,460 |
| Total secured borrowings | 4,649,705 | 6,430,460 |
| **Total borrowings** | 4,649,705 | 6,430,460 |

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

**NOTE 15: BORROWINGS (continued)**

(1) Hire Purchase liabilities

Assets under hire purchase contracts are pledged as security for the related hire purchase liabilities (refer to Note 9).

Bank facility

On 15 November 2016, following a review of the Company's banking facilities, the ANZ Bank provided a restated Letter of Offer to the Company which included the following continuing facilities that the Company has agreed to:

- Performance guarantee facility of $2,400,000 (at 30 June 2020, amount used: $113,201; amount unused $2,286,799);
- Electronic Payaway Facility limit at 30 June 2020: $250,000; and
- Commercial card facility limit at 30 June 2020: $150,000.

The bank facilities are secured by way of a General Security Agreement over all of the assets of the Group. A Deed of Priority and Subordination between ANZ Bank and performance bond provider Tokio Marine & Nichido Fire Insurance Co. Ltd is also in place.

Performance bond facility

The Company has these arrangements in place:

- Performance bond facility with Tokio Marine & Nichido Fire Insurance Co. Ltd of $10,000,000 (at 30 June 2020 amount used $1,895,568 (30 June 2019: $1,660,664); amount unused $8,104,432 (30 June 2018: $8,339,396).

The performance bond facility is secured by way of a General Security Agreement over all of the assets of the Group.

Other

The Group entered into a secured loan of $35 million with Mineral Resources Limited (MRL). The loan will have a 5-year term with an interest rate of 8.125% per annum. The loan is secured by a general security agreement over the assets of Comcen Pty Ltd and Resource Development Group Limited as well as a mining mortgage over Comcen's mineral assets. No amounts are drawn at 30 June 2020.

**NOTE 16: PROVISIONS**

| **Employee Entitlements:** | 2020 | 2019 |
|---|---|---|
| **Consolidated** | $ | $ |
| At 1 July | 643,264 | 499,298 |
| Net movements | 78,065 | 143,966 |
| At 30 June | 721,329 | 643,264 |

| **2020** | Employee benefits | Total |
|---|---|---|
| **Consolidated** | $ | $ |
| Current | 712,417 | 712,417 |
| Non-current | 8,912 | 8,912 |
| | 721,329 | 721,329 |

| **2019** | Employee benefits | Total |
|---|---|---|
| **Consolidated** | $ | $ |
| Current | 623,110 | 623,110 |
| Non-current | 20,154 | 20,154 |
| | 643,264 | 643,264 |

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

## NOTE 17: ISSUED CAPITAL

| | 2020 | | 2019 | |
|---|---|---|---|---|
| | Number of shares | $ | Number of shares | $ |
| (a) Paid up capital: | 2,530,116,268 | 57,240,375 | 631,404,067 | 7,836,308 |

(b) Movements in ordinary share capital:

| | Year to 30 June 2020 | | Year to 30 June 2019 | |
|---|---|---|---|---|
| | Number of shares | $ | Number of shares | $ |
| Balance at beginning of financial period | 632,029,067 | 7,836,308 | 631,404,067 | 7,836,308 |
| Issue of shares in relation to acquisition of assets (note 10) | 1,897,587,201 | 49,337,000 | - | - |
| Issue of shares to employees on vesting of incentives | 500,000 | 67,067 | 625,000 | - |
| Balance at end of financial period | 2,530,116,268 | 57,240,375 | 632,029,067 | 7,836,308 |

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

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote. Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

**Incentives**

There were 2,250,000 incentives on hand as at 1 July 2018. A total of 1,125,000 incentives were fully vested as at 16 January 2019 with the remaining 1,125,000 incentives lapsing at that date as a result of not meeting a performance hurdle. During the year the Company issued 500,000 shares in relation to the previously vested incentives; 625,000 shares were issued on vested incentives in 2019.

| | Consolidated | |
|---|---|---|
| | Year ended 2020 | Year ended 2019 |
| *Movement in employee incentives* | Number | Number |
| Balance at beginning of financial period | 500,000 | 2,250,000 |
| Incentives vested and exercised | (500,000) | (625,000) |
| Incentives lapsed | - | (1,125,000) |
| Balance at end of financial period | - | 500,000 |

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

## NOTE 18: SHARE BASED PAYMENTS AND RESERVE

| | Consolidated | |
|---|---|---|
| | Share based payments reserve | Total |
| | $ | $ |
| **At 1 July 2018** | 121,689 | 121,689 |
| Recognition of share payments | 12,446 | 12,446 |
| **At 30 June 2019** | 134,135 | 134,135 |
| | | |
| **At 1 July 2019** | 134,135 | 134,135 |
| Shares issued on vested incentives | (67,067) | (67,067) |
| Lapsed incentives | (67,068) | (67,068) |
| **At 30 June 2020** | - | - |

**Nature and purpose of reserves**

*Share based payment reserve*

This reserve is used to record the value of equity benefits provided to employees and Directors as part of their remuneration.

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

## NOTE 19: FINANCIAL INSTRUMENTS

### (a) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The Group's overall strategy remains unchanged from 2019.

The capital structure of the Group consists of cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings/(accumulated losses).

None of the Group's entities are subject to externally imposed capital requirements.

Operating cash flows are used to maintain and expand operations, as well as to make routine expenditures such as tax, dividends and general administrative outgoings.

Gearing levels are reviewed by the Board on a regular basis in line with its target gearing ratio, the cost of capital and the risks associated with each class of capital.

| | Consolidated | |
|---|---|---|
| | 2020 | 2019 |
| | $ | $ |
| **(b) Categories of financial instruments** | | |
| **Financial assets** | | |
| Cash and cash equivalents | 10,707,614 | 10,997,263 |
| Trade and other receivables | 8,232,291 | 5,462,188 |
| **Financial liabilities** | | |
| Trade payables | 6,359,632 | 6,718,368 |
| Borrowings | 4,649,705 | 6,430,460 |
| Lease liabilities | 56,484 | - |

### (c) Financial risk management objectives

The Group is exposed to market risk including currency risk, fair value interest rate risk and price risk, credit risk, liquidity risk and cash flow interest rate risk.

### (d) Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, commodity prices and exchange rates.

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk from the previous period.

The Group does not have sufficient investments that would expose it to unmanageable market risks.

### (e) Interest rate risk management

The Company and the Group are exposed to interest rate risk as entities in the Group borrow funds at variable interest rates. The Group's policy is to manage its exposure to movements in interest rates by fixing the interest rate on financial instruments, including bank loans, finance leases and hire purchase liabilities, wherever possible. In addition, the Group utilises a number of financial institutions to obtain the best interest rate possible and to manage its risk. The Group does not enter into interest rate hedges.

**Interest rate risk sensitivity analysis**

The Company only had fixed rate borrowings at 30 June 2020, therefore interest rate sensitivity analysis is not required to be undertaken for the purpose of this report.

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

## NOTE 19: FINANCIAL INSTRUMENTS (continued)

### (f) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the Group uses publicly available financial information and its own trading record to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

The carrying amount of financial assets recorded in the financial statements, net of any allowance for losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

### (g) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The Group currently has no financing facilities in place.

### (h) Fair value of financial instruments

The directors consider that the carrying value of the financial assets and financial liabilities as recognised in the consolidated financial statements approximate their fair values.

The following tables detail the Group's expected contractual maturity for its non-derivative financial liabilities.

These have been drawn up based on undiscounted contractual maturities of the financial liabilities based on the earliest date the Group can be required to repay.

The tables include both interest and principal cash flows.

| | Consolidated | | | |
|---|---|---|---|---|
| | Current | | Non-Current | |
| 30 June 2020 | Within 6 months | 6 – 12 months | 1 – 5 years | 5+ years |
| | $ | $ | $ | $ |
| Trade and other payables | 6,359,632 | - | - | - |
| Lease liabilities | 27,890 | 28,594 | - | - |
| Hire purchase obligations | 1,221,508 | 1,265,159 | 2,163,038 | - |
| | 7,609,030 | 1,293,753 | 2,163,038 | - |

| | Consolidated | | | |
|---|---|---|---|---|
| | Current | | Non-Current | |
| 30 June 2019 | Within 6 months | 6 – 12 months | 1 – 5 years | 5+ years |
| | $ | $ | $ | $ |
| Trade and other payables | 6,718,368 | - | - | - |
| Hire purchase obligations | 1,709,808 | 1,523,280 | 3,747,860 | - |
| | 8,425,176 | 1,523,280 | 3,747,860 | - |

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

## NOTE 20: COMMITMENTS AND CONTINGENCIES

### Hire Purchase commitments

| | Consolidated | |
|---|---|---|
| | 2020 | 2019 |
| | $ | $ |
| Within one year | 2,691,269 | 3,233,088 |
| After one year but not more than five years | 2,251,872 | 3,747,860 |
| Greater than 5 years | - | - |
| Minimum payments | 4,943,141 | 6,980,948 |
| Less future finance charges | | |
| Within one year | 204,602 | 339,038 |
| After one year but not more than five years | 88,834 | 211,449 |
| Greater than 5 years | - | - |
| Total future finance charges | 293,436 | 550,487 |
| Present value of minimum payments | 4,649,705 | 6,430,460 |

### Capital commitments

No capital expenditure commitments have been made for items of plant and machinery as at 30 June 2020 (2019: $Nil).

### Contingent liabilities

The Group has no material contingent liabilities and assets as at 30 June 2020 (2019: $Nil).

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

## NOTE 21: RELATED PARTY DISCLOSURE

Resource Development Group Limited is the legal Australian parent entity. The legal subsidiaries are as follows:

| Name | Country of Incorporation | % Equity Interest | | Investment ($) | |
|---|---|---|---|---|---|
| | | 2020 | 2019 | 2020 | 2019 |
| Central Systems Pty Ltd | Australia | 100 | 100 | 1800,100 | 1,800,100 |
| Mineral Solutions Australia Pty Ltd | Australia | 80 | 80 | 420 | 420 |
| Comcen Pty Ltd | Australia | 100 | 100 | 1 | 1 |
| Crushing Service Solutions Pty Ltd | Australia | 80 | 80 | 120 | 120 |
| Aggregate Crushing Australia Pty Ltd | Australia | 80 | 80 | 200 | 200 |
| Ore Sorting Australia Pty Ltd | Australia | 80 | 80 | 100 | 100 |

Central Systems Pty Ltd is the accounting parent under the principles of reverse acquisition in AASB 3 *Business Combinations*; hence the consolidated financial statements are a continuation of the financial statements of Central Systems Pty Ltd.

**Terms and conditions of transactions with related parties**

Sales to and purchases from related parties are made in arm's length transactions both at normal market prices and on normal commercial terms. Outstanding balances at the year are unsecured, interest free and settlement occurs in cash. No guarantees were provided or received for any related party receivables or payables.

An impairment assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates to determine whether there is objective evidence that a related party receivable is impaired. When such objective evidence exists, the Group recognises an allowance for the impairment loss.

**(a) Lease agreements**

The company has entered into lease agreements for rental premises with the following shareholder related entities:

*Slipstream Property Partnership*
Amphora Pty Ltd as trustee for the Purple Trust (Ivan Ruefli);
Allmont Pty Ltd as trustee for the Allmont Trust (Andrew Ellison);
Matthew Reid Project Management Pty Ltd (Gary Reid); and
Richard James Eden as trustee for the Eden Family Trust.
The lease for the property located in Osborne Park, Western Australia lease commenced on 1 May 2015 with a termination date of 30 April 2019. The lease has been on a rolling month-by-month arrangement since that date.
Rental payments made for the year 1 July 2019 to 30 June 2020 were $136,800 (2019: $136,800). At balance date, $Nil (2019: $Nil) was payable to the Slipstream Property Trust.

*Grisam Investments Pty Ltd as trustee for the Grisam Property Trust*
Amphora Pty Ltd as trustee for the Purple Trust (Ivan Ruefli);
Allmont Pty Ltd as trustee for the Allmont Trust (Andrew Ellison);
Gary Reid as trustee for the Gary Reid Family Trust; and
Richard James Eden as trustee for the Eden Family Trust
The lease for the property located in Newman, Western Australia commenced on 1 October 2014 with a termination date of 30 September 2019. The lease has been on a rolling month-by-month arrangement since that date.
Rental payments made for the year 1 July 2019 to 30 June 2020 were $210,000 (2019: $210,000). At balance date, $Nil (2019: $Nil) was payable to Grisam Investments Pty Ltd.

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

**NOTE 21: RELATED PARTY DISCLOSURE (continued)**

**(b) Other transactions**

i) The Company entered into a lump sum building contract with Allmont Pty Ltd (Mr Andrew Ellison – Chairman) for the construction of a two-storey residential dwelling at the Company's residential project located at North Coogee, Western Australia on 8 December 2018.

Allmont Pty Ltd was invoiced $676,797 inclusive of GST for the year ended 30 June 2020 (2019: $67,967). At balance date, $Nil (2019: $Nil) was owing by Allmont Pty Ltd.

ii) The Company entered into a lump sum building contract with Gary Reid (Director) for the construction of a two-storey residential dwelling at the Company's residential project located at North Coogee, Western Australia on 14 December 2018.

Mr Reid was invoiced $332,164 inclusive of GST for the year ended 30 June 2020 (2019: $152,469). At balance date, $Nil (2019: $Nil) was owing by Mr Reid.

(c) **Asset acquisition - agreements**

As part of the asset acquisition from Mineral Resources Limited (MRL) (refer Note 10), the Company has entered into the following agreements:

1) a services agreement pursuant to which the Company agrees to engage MRL to undertake resource drilling and to design, construct, supply and commission processing and non-processing infrastructure and equipment for the Company's proposed mining project on the Tenements (Services Agreement). The material terms of the Services Agreement are as follows:

   **(Term)**: 12 months commencing on 18 March 2020.

   **(Fees)**: The fees to be paid by the Company to MRL will be MRL's "Actual Cost", which comprises:

   total payroll costs (aggregate expenditure incurred in connection with MRL personnel engaged in connection with the Services);

   reasonable out of pocket third party expenses incurred in providing the Services;

   overheads costs (6% of aggregate of payroll cost and out of pocket expenses); and

   plant & equipment charges.

   **(Estimated Total Fee)**: The estimated total fee to be paid by the Company to MRL for the Services is AU$35 million.

   **(Payment)**: Upon completion of the provision of services by the MRL Group, or where the provision of the services under the purchase order extends beyond a month, at the end of the month, MRL must provide the Company with a tax invoice with the entire fee payable.

2) a loan agreement pursuant to which MRL agrees to advance up to $35m to the Company via a secured loan to pay for construction payments and other working costs and expenses (Loan Agreement). The material terms of the Loan Agreement are set out below:

   **(Loan Amount)**: The Lender will advance up to $35 million to the Company under the Loan Agreement;

   **(Term)**: The Loan has a term of 5 years from the date on which the first drawing is advanced by the Lender.

   **(Repayment)**: The repayment of the Loan will commence on the last business day of the first full Quarter after the first shipment date (Repayment Date) and each Quarter thereafter for the period of the term, unless paid before.

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

## NOTE 21: RELATED PARTY DISCLOSURE (continued)

(c) **Asset acquisition – agreements (continued)**

**(Interest)**: The interest payable is 8.125%.

**(Early repayment)**: No early repayment fees apply.

**(Guarantee)**: The Guarantor jointly and severally guarantees the Company's obligations under the Loan Agreement to the Lender.

## NOTE 22: PARENT ENTITY DISCLOSURES

The transaction involving Resource Development Group Limited acquiring all the issued shares of Central Systems Pty Ltd has been accounted for under the principles of Reverse Acquisitions included in Australian Accounting Standard AASB 3 *Business Combinations*.
The legal structure of the Resource Development Group Limited subsequent to the acquisition of Central Systems Pty Ltd is that Resource Development Group Limited remains as the parent entity.

| | 2020<br>$ | 2019<br>$ |
|---|---|---|
| **Assets** | | |
| Current assets | 1,915,899 | 1,599,397 |
| Non-current assets | 54,342,256 | 5,319,758 |
| Total assets | 56,258,155 | 6,919,154 |
| **Liabilities** | | |
| Current liabilities | 7,315,741 | 6,859,697 |
| Non-current liabilities | - | - |
| Total liabilities | 7,315,741 | 6,859,697 |
| **Equity** | | |
| Issued capital | 57,290,772 | 7,886,705 |
| Reserves | - | 389,743 |
| Accumulated losses | (8,348,358) | (8,216,991) |
| Total equity | 48,942,414 | 59,457 |

***Financial performance***

| | Year ended 30 June 2020<br>$ | Year ended 30 June 2019<br>$ |
|---|---|---|
| Loss for the year | (454,043) | (358,172) |
| Other comprehensive income | - | - |
| Total comprehensive loss | (454,043) | (358,172) |

***Commitments***

The parent entity does not have any commitments of its own.

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

## NOTE 23: COVID-19

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has not had a financially materially impact on the Group up to 30 June 2020, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

## NOTE 24: EVENTS AFTER THE REPORTING PERIOD

The loan receivable with Bullseye Mining Limited was fully repaid on 16 July 2020.

No other matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

## NOTE 25: AUDITOR'S REMUNERATION

The auditor of Resource Development Group Limited is HLB Mann Judd.

| | Consolidated | |
|---|---|---|
| | 2020 | 2019 |
| Amounts received or due and receivable by HLB Mann Judd for: | $ | $ |
| An audit or review of the financial report of the entity and any other entity in the Group | 66,362 | 93,159 |

## NOTE 26: DIRECTORS AND EXECUTIVES DISCLOSURES

The aggregate compensation made to directors and other key management personnel of Resource Development Group Limited is set out below:

| | Consolidated | |
|---|---|---|
| | 2020 | 2019 |
| | $ | $ |
| Short-term employee benefits | 925,816 | 856,625 |
| Post-employment benefits | 26,847 | 30,236 |
| Share-based payments | - | - |
| | 952,663 | 886,861 |

## NOTE 27: DIVIDENDS

There were no dividends declared or paid during the year ended 30 June 2020 (30 June 2019: $Nil).

| | Consolidated | |
|---|---|---|
| | 2020 | 2019 |
| *Franking account balance* | $ | $ |
| The amount of franking credits available for subsequent financial years are: | | |
| Franking account balance as at the end of the financial year at 30% (2019: 27.5%) | 4,053,976 | 4,053,976 |
| Franking credits that will arise from the payment of income tax payable as at the end of the financial year | 300,944 | - |
| | 4,354,920 | 4,053,976 |

The tax rate at which any dividends would have been franked is 30% (2019: 27.5%).

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

## NOTE 28: BUSINESS COMBINATION

### Acquisition of Mineral Solutions Australia Pty Ltd

On 3 August 2018, the Company completed the acquisition of 80% of the shares of Mineral Solutions Australia Pty Ltd (MSA) for a total purchase consideration of $2 million with a further deferred component of $800,000, with an effective acquisition date of 2 July 2018. MSA is the holding company of a group that includes Crushing Service Solutions Pty Ltd, Aggregate Crushing Australia Pty Ltd and Ore Sorting Australia Pty Ltd which are based in Kalgoorlie, Western Australia and provide contracting services to the mining and other sectors. Pursuant to the Share Sale and Purchase Agreement, the Company had the contractual right to reduce the purchase price by the deferred consideration amount ($800,000) should MSA not repay the loan provided to it by the Company within a 12-month timeframe. As the loan has not been repaid, the purchase price has been reduced as reflected in the table below.

An amount of $1,687,969 was recognised as goodwill on acquisition as detailed below and was subsequently impaired at 30 June 2019.

Details of the final acquisition accounting in relation to the purchase consideration and the net assets are as follows:

| | $ |
|---|---|
| Cash paid – purchase price | 2,000,000 |
| Deferred acquisition cash consideration | 800,000 |
| Reduction in acquisition consideration per Share Sale Agreement | (800,000) |
| Total purchase consideration | 2,000,000 |

The assets and liabilities recognised from the acquisition are as follows:

| | Fair value $ |
|---|---|
| Cash and cash equivalents | 551,807 |
| Trade and other debtors | 1,289,200 |
| Plant and equipment | 7,418,521 |
| Borrowings | (7,331,716) |
| Trade and other payables | (1,115,781) |
| Fair value of identifiable net assets acquired | 812,031 |
| Goodwill acquired on acquisition, subsequently impaired | 1,687,969 |
| Less: Non-controlling interest | (500,000) |
| | 2,000,000 |

### Purchase consideration – cash outflow

| | $ |
|---|---|
| Cash consideration paid | 2,000,000 |
| Less: Balances acquired | |
| Cash – MSA | (551,807) |
| Net outflow of cash – investing activities | 1,448,193 |

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

**NOTE 28: BUSINESS COMBINATION (continued)**

**Accounting Policy**

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of subsidiary comprises the following:

(i) fair values of the assets transferred

(ii) liabilities incurred to the former owners of the acquired business

(iii) equity interests issued by the group

(iv) fair value of any asset or liability resulting from contingent consideration arrangement, and

(v) fair value of any pre-existing equity interest in the subsidiary

Identifiable assets acquired and liabilities and contingent liabilities assumed in business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the:

(i) consideration transferred,

(ii) amount of any non-controlling interest in the acquired entity, and

(iii) acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is initially recorded as goodwill. For the current year acquisition of MSA, the goodwill was subsequently fully impaired.

Contingent consideration is classified either as equity or financial liability. Amounts classified as financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the Company's previously held equity interest in the acquired business is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

**NOTE 29: NON-CONTROLLING INTEREST**

The non-controlling interest of 20% in Mineral Solutions Australia Pty Ltd (MSA) recognised at the acquisition date was measured by reference to the non-controlling interest's proportionate share of the acquiree's identifiable net assets and amounted to $500,000.

Summary financial information for MSA is found below:

| | 30 June 2020<br>$ | 30 June 2019<br>$ |
|---|---|---|
| **Assets** | | |
| Current assets | 2,998,779 | 1,893,546 |
| Non-current assets | 5,467,166 | 7,355,493 |
| Total assets | 8,465,945 | 9,249,039 |
| | | |
| **Liabilities** | | |
| Current liabilities | 6,849,509 | 4,615,078 |
| Non-current liabilities | 2,007,689 | 6,479,444 |
| Total liabilities | 8,857,198 | 11,088,522 |

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

### NOTE 29: NON-CONTROLLING INTEREST (continued)

| | 30 June 2020<br>$ | 30 June 2019<br>$ |
|---|---|---|
| **Equity** | | |
| Issued capital | 420 | 420 |
| Reserves | 285,975 | 285,975 |
| Accumulated losses | (677,648) | (2,125,878) |
| Total equity | (391,253) | (1,839,483) |

*Non-controlling interest movement schedule*

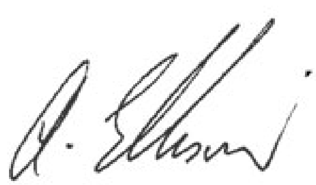
| | 30 June 2020 | 30 June 2019 |
|---|---|---|
| Opening balance | (367,897) | - |
| Non-controlling interest arising on acquisition of MSA | - | 500,000 |
| Non-controlling interest share of profit/(loss) | 289,646 | (867,897) |
| Non-controlling interest share of comprehensive income | - | - |
| | (78,251) | (367,897) |

**DIRECTORS' DECLARATION**

1. In the opinion of the directors of Resource Development Group Limited (the 'Company'):
   a. the accompanying financial statements and notes 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 2020 and of its performance for the year then ended; and
      ii. complying with Australian Accounting Standards, the Corporations Regulations 2001, professional reporting requirements and other mandatory requirements.
   b. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
   c. the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.
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 2020.

3. The Company and a wholly-owned subsidiary, Central Systems Pty Ltd, have entered into a deed of cross guarantee under which the Company and its subsidiary guarantee the debts of each other. At the date of this declaration, there are reasonable grounds to believe that the companies which are party to this deed of cross guarantee will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed.

This declaration is signed in accordance with a resolution of the Board of Directors.



Andrew Ellison

Chairman

Dated this 31 August 2020

## INDEPENDENT AUDITOR'S REPORT

To the members of Resource Development Group Limited

### Report on the Audit of the Financial Report

*Opinion*

We have audited the financial report of Resource Development Group Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and 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:

a) giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year then ended; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

*Basis for opinion*

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

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

*Key audit matters*

Key audit matters are those matters that, in our professional 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.

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HLB MANN JUDD
ADVISORY AND ACCOUNTING

We have determined the matters described below to be the key audit matters to be communicated in our report.

| Key Audit Matter | How our audit addressed the key audit matter |
|---|---|
| **Revenue recognition on long term contracts and accounting for work in progress**<br>Notes 2 and 8 of the financial report | |
| A substantial amount of the Group's revenue relates to revenue from the rendering of services and construction contracts. Many of these contracts are of long-term duration and revenue and margins are recognised based on the stage of completion of the individual contracts. This is calculated on the proportion of total costs incurred at the reporting date compared to management's estimation of total costs of the contract.<br><br>We focused on this area as a key audit matter due to the number and type of estimation events that may occur over the course of the contract life, leading to complex and judgemental revenue recognition from these contracts. | Our procedures included but were not limited to the following:<br><br>• We examined and tested the Group's key controls over revenue and related work-in-progress;<br>• We recalculated the net work in progress balance ensuring that the revenue is recognised in line with the requirements of AASB 15 *Revenue from Contracts with Customers*;<br>• We inquired about contract margins that were higher than the expected margin;<br>• We tested contract values on a sample basis by agreeing to contracts and approved variations;<br>• We assessed the estimation of costs to complete on a sample basis by agreeing key forecast cost assumptions to underlying evidence;<br>• We assessed the Group's ability to forecast margins on contracts by analysing the accuracy of previous margin forecasts to actual outcomes, on a sample basis;<br>• We compared the contract performance at balance date to subsequent months for evidence of deteriorating contract performance and that the Group was accounting for loss making contracts appropriately;<br>• We tested contract costs to the underlying documentation on a sample basis;<br>• We tested completeness of work in progress by comparing management reports to accounting records;<br>• We considered if there were any legal or contentious matters that may indicate the inappropriate recognition of variations and claims. We checked the consistency of this to the inclusion or otherwise of an amount in the estimates used for revenue recognition; and<br>• We assessed the adequacy of the disclosures in the financial report. |

| **Acquisition of assets**<br>Note 10 of the financial report | |
|---|---|
| The Group acquired the Ant Hill and Sunday Hill manganese projects from Mineral Resources Limited ('MRL') for consideration of 1,897,587,201 shares. The Group and MRL entered into a service agreement for MRL to undertake resource drilling, design, supply and construct the processing and non-processing infrastructure, commission the plant and supply the mining equipment to commence mining. MRL is also providing financing to RDG in the form of a $35M loan repayable in 5 years with interest charged at 8.125%.<br><br>Under the transaction the Group became a subsidiary of MRL. Resource Development Group Limited accounted for the transaction as an acquisition of exploration expenditure assets with a fair value of $24,282,000 and a development asset in relation to the service contract with a fair value of $25,055,000 in exchange for issuing equity of $49,337,000.<br><br>We focused on this area as a key audit matter due to the material nature of the transaction and the complexity of the accounting for it. | Our procedures included but were not limited to the following:<br>• We read and considered the sale agreement and ancillary agreements and contracts;<br>• We considered if the fair value of the assets acquired and equity issued was appropriate with reference to the valuations contained in the independent expert report and AASB 2 *Share-based Payment*;<br>• We considered if the classification of the acquired tenements as exploration expenditure was appropriate under AASB 6 *Exploration for and Evaluation of Mineral Resources*;<br>• We considered if the recognition of a development asset was in line with the requirements of AASB 116 *Property, Plant and Equipment*; and<br>• We assessed the adequacy of the disclosures in the financial report. |

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

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2020, 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 have no realistic alternative but to do so.

*Auditor's responsibilities for the audit of the financial report*

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, 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 the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on the Remuneration Report**

*Opinion on the Remuneration Report*

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

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

*Responsibilities*

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

**HLB Mann Judd**
**Chartered Accountants**

**N G Neill**
**Partner**

**Perth, Western Australia**
**31 August 2020**

**Additional Information for Listed Public Companies**

Additional information included in accordance with the Listing Rules of the Australian Securities Exchange Limited. The information is current as at 31 August 2020.

**1. Shareholdings**

**Substantial shareholders of Resource Development Group Limited:**

| Name of shareholder | Shares held |
|---|---|
| MINERAL RESOURCES LIMITED | 1,897,587,201 |
| SEAFIRE HOLDINGS PTY LTD (SEAFIRE A/C) | 138,983,058 |
| MATHEW REID PROJECT MANAGEMENT PTY LTD (GM REID FAMILY A/C) / GM REID INVESTMENTS PTY LTD <GARY REID FAMILY A/C> | 138,983,058 |
| | 2,175,553,317 |

**Distribution of equity – Listed securities:**

| Size of holding | Number of Shareholders |
|---|---|
| 1 – 1,000 | 11 |
| 1,001 – 5,000 | 12 |
| 5,001 – 10,000 | 57 |
| 10,001 – 100,000 | 289 |
| 100,001 – and over | 170 |
| Total | 539 |

At the date of this report there were 31 shareholders, with a total of 81,603 shares, who held less than a marketable parcel of shares.

Listed securities in Resource Development Group Limited (RDG) are quoted on all member exchanges of the Australian Securities Exchange.

**Additional Information for Listed Public Companies (continued)**
**Updated as at 31 August 2020**

| Position | Holder Name | Holding | % IC |
|---|---|---|---|
| 1 | MINERAL RESOURCES LIMITED | 1,897,587,201 | 75.00% |
| 2 | SEAFIRE HOLDINGS PTY LTD <SEAFIRE A/C> | 138,983,058 | 5.49% |
| 3 | MATHEW REID PROJECT MANAGEMENT PTY LTD <THE GM REID FAMILY A/C> | 105,649,724 | 4.18% |
| 4 | MR RICHARD JAMES EDEN <EDEN FAMILY A/C> | 55,000,000 | 2.17% |
| 5 | AMPHORA PTY LTD <THE PURPLE A/C> | 38,983,056 | 1.54% |
| 6 | GM REID INVESTMENTS PTY LTD <GARY REID FAMILY A/C> | 33,333,334 | 1.32% |
| 7 | MR STEPHEN KROLL <THE KROLL FAMILY TRUST> | 26,412,431 | 1.04% |
| 8 | AWIN GLOBAL PTY LTD <BATCHELOR CONCRETE A/C> | 22,000,000 | 0.87% |
| 9 | FORTE EQUIPMENT PTY LTD | 15,307,703 | 0.61% |
| 10 | MS CORRINE RACHEL PANZICH <C & D PANZICH FAMILY A/C> | 13,653,303 | 0.54% |
| 10 | MR MICHAEL JOHN BEGLEY <THE QUARTZ A/C> | 13,653,303 | 0.54% |
| 11 | CORUMBA CAPITAL PTY LTD | 13,653,302 | 0.54% |
| 12 | OMEGA RED PTY LTD <SOURBUTTS SUPER FUND A/C 2> | 12,500,000 | 0.49% |
| 13 | MR JEFFREY BRILL <THE BRILL FAMILY A/C> | 10,500,000 | 0.42% |
| 14 | J P MORGAN NOMINEES AUSTRALIA PTY LIMITED | 9,400,000 | 0.37% |
| 15 | MR HUGH JONATHAN GREEN | 8,120,000 | 0.32% |
| 16 | MR TROY MICHAEL VENTRISS <THE VENTRISS FAMILY A/C> | 7,623,094 | 0.30% |
| 17 | FULLERTON PRIVATE CAPITAL PTY LIMITED | 6,000,000 | 0.24% |
| 18 | MR CHRISTOPHER ANTHONY BENSON <BENSON FAMILY A/C> | 4,000,000 | 0.16% |
| 19 | MR GORDON CHARLES DREW & MRS PAULINE CAROL DREW <DREW FAMILY SUPER FUND A/C> | 3,236,557 | 0.13% |
| 20 | MR CRAIG MATTHEW JONES <CRAIG JONES FAMILY A/C> | 3,150,000 | 0.12% |
| | **Total** | **2,438,746,066** | **96.39%** |
| | **Total issued capital - selected security class(es)** | **2,530,116,268** | **100.00%** |