

## Appendix 4E

**Preliminary final report**  
**Financial Year Ended 30 June 2019**  
**Previous corresponding reporting period 30 June 2018**

<b>RESOURCE DEVELOPMENT GROUP LIMITED</b>				
ABN: 33 149 028 142				
<b>Results for announcement to the market</b>				\$A
Revenues from ordinary activities	Up	141.8%	To	\$38,535,695
Loss from ordinary activities from continuing operations after tax attributable to the members of Resource Development Group Limited	Down	253.4%	To	\$1,796,671
Loss for the period attributable to the members of Resource Development Group Limited	Down	253.4%	To	\$1,796,671
		<b>30 June 2019</b>		<b>30 June 2018</b>
<b>Net tangible asset backing per security</b>		\$0.024		\$0.028
<b>Dividends</b>		<b>Amount per security</b>		<b>Franking %</b>
Final dividend declared		\$Nil		n/a
Previous corresponding period		\$Nil		n/a
Interim dividend declared		\$Nil		n/a
Previous corresponding period		\$Nil		n/a

**Statement of comprehensive income**

Refer attached financial report for the year ended 30 June 2019.

**Statement of financial position**

Refer attached financial report for the year ended 30 June 2019.

**Statement of cash flows**

Refer attached financial report for the year ended 30 June 2019.

**Dividend reinvestment plans**

Not applicable.

**Statement of changes in equity**

Refer attached financial report for the year ended 30 June 2019.

**Gain or loss of control over entities**

Refer attached financial report for the year ended 30 June 2019.

**Associates and joint ventures**

Refer attached financial report for the year ended 30 June 2019.

**Other significant information**

Not applicable.

**Foreign entities**

Refer attached financial report for the year ended 30 June 2019.

**Commentary on results for the period**

Commentary on the above figures is included in the attached financial report for the year ended 30 June 2019 on page 3.

**Status of audit**

The financial report is in the process of being audited for the year ended 30 June 2019.



**Signed:**

Michael Kenyon  
CFO & Company Secretary  
Resource Development Group Ltd

**Date:** 30 August 2019

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**COMMENTARY ON RESULTS**

Resource Development Group Ltd (“RDG” or “Company”) reported a net loss after tax of \$2.7m on revenues of \$38.5m for the year ended 30 June 2019. After eliminating the non-controlling interests associated with Mineral Solutions Australia Pty Ltd (MSA) of \$0.9m, the loss pertaining to shareholders of RDG amounts to \$1.8m. An impairment charge of \$1.7m relating to the write down of goodwill acquired on the acquisition of MSA was also included in the full-year result.

Earnings before interest, depreciation, amortisation and taxation (EBITDA) were up 719% from the prior year to \$3.5 million and net cash inflows from operating activities was \$4.8m.

The Board is pleased to advise the significant uplift associated with the EBITDA result for the Company over the prior year as noted above, however it was significantly tainted by the very poor operating result of the MSA business particularly in the second half of the financial year. MSA sustained a full year loss before income tax of \$2.7m, whilst the original RDG business (incorporating Central Systems Pty Ltd (Centrals) less RDG corporate costs) had its best result in many years with a net profit before tax of \$2.3m.

As mentioned in last year’s financial reports, the MSA business was acquired on 5 August 2018, with an effective date of 2 July 2018. Your directors spent a considerable amount of time working with the two founders of the MSA business before committing to purchase a major shareholding of the company and were initially very excited that we had invested in a business to diversify part of our revenue stream out of the Company’s traditional civil construction Industry which Centrals have successfully operated in for a number of years. A significant amount of senior management time and effort has gone into integrating the MSA business into RDG, ensuring systems and processes were robust, seeking out new project opportunities and ensuring the existing clients were well-served. Unfortunately, those efforts went unrewarded and although the EBITDA result was positive for MSA for the financial year (\$0.5m), the large depreciation cost and associated finance charges resulted in a significant after-tax loss.

As mentioned in previous reports, the directors remain cautiously optimistic about the financial results that the MSA business can deliver. Unfortunately, the directors did not envisage the dramatic fall of MSA’s revenue which has tainted the very solid result posted by Centrals. The directors have recognised that it is difficult to make consistent profits from short term crushing and screening projects and as a result, the company commenced selling some of its mobile crushing and screening equipment, which should be well advanced by the end of October, in order to reduce its debt.

Centrals has continued its upward trajectory over the past few years and reached sales revenue of \$31.4m for the financial year as compared to \$16.1m for the financial year ended 30 June 2018. Various projects were undertaken including ones for Mineral Resources Ltd subsidiary, Crushing Services International Pty Ltd and for BHP Billiton Ltd (BHP) during the financial year.

Although overheads did increase slightly during the year at RDG, this was largely required as a result of the uptick in revenues at Centrals together with significant tenders and other opportunities that required support. Shareholders would understand that cost and overhead control have always been key focus areas for the directors.

The Centrals business continues to perform well, however the directors are always seeking out the next opportunities. Although there have been plenty of tenders during the financial year, the Company has been unsuccessful in winning some of the larger ones; the market is still very competitive however Centrals continues to obtain its fair share of medium size projects, in particular with BHP. There are good signs that new project opportunities will be forthcoming towards the end of this calendar year.

The directors therefore continue to actively seek out projects that would suit the Company’s resources, whilst continuing to focus on reducing any continuing losses being sustained in the MSA business and looking for further opportunities to diversify. All areas of the business revolve around obtaining new projects, delivering a quality outcome for our clients whilst remaining focussed on the bottom line.

The directors have resolved to delve deeper into their corporate strategy it set some time ago, given the disappointment of the MSA business. Whilst everything is being done within the MSA business to keep losses to a minimum, the directors are well advanced on selling surplus equipment and reducing overheads to assist with in MSA’s future cash flow requirements.

Although there has been a reduction in the net assets of the Company as a result of the overall loss sustained during the financial year, the Company still has \$11m of cash on hand and approximately \$4m of collectible debtors at year-end. Hire purchase liabilities for the next year are approximately \$3.1m.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

**FOR THE YEAR ENDED 30 JUNE 2019**

	Notes	Consolidated	
		2019 \$	2018 \$
<b>Continuing operations</b>			
Revenue	1(a)	38,535,695	15,939,479
Other income	1(b)	316,894	184,671
Cost of sales		(11,915,339)	(7,238,678)
Employee benefits expense		(20,718,303)	(6,854,491)
Depreciation and amortisation	1(c)	(3,567,355)	(1,163,295)
Finance costs		(546,908)	(28,531)
Profit/(loss) on sale of assets		3,919	(65,468)
Share based payments	1(c)	(12,446)	(36,415)
Other expenses	1(c)	(2,475,111)	(1,347,474)
Impairment charge	1(c)	(1,687,969)	-
<b>Loss before income tax</b>		<b>(2,066,923)</b>	<b>(610,202)</b>
Income tax (expense)/benefit		(597,645)	101,756
<b>Loss after income tax from continuing operations</b>		<b>(2,664,568)</b>	<b>(508,446)</b>
<b>Other comprehensive income for the period, net of income tax</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive loss</b>		<b>(2,664,568)</b>	<b>(508,446)</b>
Total profit/(loss) for the year is attributable to:			
Non-controlling interests		(867,897)	-
Owners of Resource Development Group Ltd		(1,796,671)	(508,446)
		<b>(2,664,568)</b>	<b>(508,446)</b>
Total comprehensive income/(loss) for the year is attributable to:			
Non-controlling interests		(867,897)	-
Owners of Resource Development Group Ltd		(1,796,671)	(508,446)
		<b>(2,664,568)</b>	<b>(508,446)</b>
Earnings/(loss) per share for the period attributable to the members of Resource Development Group Ltd:			
Basic earnings/(loss) per share (cents per share)	2	<b>(0.28)</b>	<b>(0.08)</b>
Diluted earnings/(loss) per share (cents per share)	2	<b>(0.28)</b>	<b>(0.08)</b>

The accompanying notes form part of these financial statements

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2019**

	Notes	Consolidated	
		2019 \$	2018 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	3	10,997,263	13,322,300
Trade and other receivables	4	5,462,188	5,258,040
Current tax assets		-	14,907
Inventories	5	385,532	744,951
<b>Total current assets</b>		<b>16,844,983</b>	<b>19,340,198</b>
<b>Non-current assets</b>			
Property, plant and equipment	6	12,818,311	5,669,275
Deferred tax assets		321,158	710,779
<b>Total non-current assets</b>		<b>13,139,469</b>	<b>6,380,054</b>
<b>Total assets</b>		<b>29,984,452</b>	<b>25,720,252</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	7	6,718,368	6,910,220
Borrowings	8	2,794,276	-
Current tax liabilities		59,736	-
Provisions	9	623,110	482,745
<b>Total current liabilities</b>		<b>10,195,490</b>	<b>7,392,965</b>
<b>Non-current liabilities</b>			
Borrowings	8	3,636,184	-
Provisions	9	20,154	16,553
Deferred tax liabilities		789,786	815,774
<b>Total non-current liabilities</b>		<b>4,446,124</b>	<b>832,327</b>
<b>Total liabilities</b>		<b>14,641,614</b>	<b>8,225,292</b>
<b>Net assets</b>		<b>15,342,838</b>	<b>17,494,960</b>
<b>Equity</b>			
Issued capital	10	7,836,308	7,836,308
Share-based payments reserve	11	134,135	121,689
Retained earnings		7,740,292	9,536,963
Equity attributable to owners of the parent		15,710,735	17,494,960
Non-controlling interests		(367,897)	-
<b>Total equity</b>		<b>15,342,838</b>	<b>17,494,960</b>

The accompanying notes form part of these financial statements

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2019**

<b>Consolidated</b>	Issued capital	Retained earnings	Share-based payments reserve	Attributable to the owners of the parent	Non-controlling interest	Total equity
<b>30 June 2018</b>						
<b>Balance as at 1 July 2017</b>	7,836,308	9,944,388	186,295	17,966,991	-	17,966,991
Loss for the year	-	(508,446)	-	(508,446)	-	(508,446)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive loss for the year	-	(508,446)	-	(508,446)	-	(508,446)
Share-based payments	-	-	36,415	36,415	-	36,415
Transfer of lapsed options to retained earnings	-	101,021	(101,021)	-	-	-
<b>Balance at 30 June 2018</b>	7,836,308	9,536,963	121,689	17,494,960	-	17,494,960
<b>Balance as at 1 July 2018</b>	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
<b>Balance at 30 June 2019</b>	7,836,308	7,740,292	134,135	15,710,735	(367,897)	15,342,838

The accompanying notes form part of these financial statements

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2019**

	Notes	Consolidated	
		2019 \$	2018 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		41,858,699	17,414,326
Payments to suppliers and employees		(33,854,580)	(13,862,394)
Interest received		204,526	125,467
Finance costs paid		(546,908)	-
Income tax paid		(238,012)	(5,432)
GST paid		(2,605,362)	(532,168)
<b>Net cash inflow/(outflow) from operating activities</b>	3(ii)	<b>4,818,363</b>	<b>3,139,799</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(349,890)	(6,383)
Proceeds from sale of property, plant and equipment		930	3,754
Loan advanced to external party (Bullseye Mining Ltd)		(1,500,000)	-
Acquisition of Mineral Solutions Australia Pty Ltd (net outflow)		(1,448,193)	-
Receipts from recovery from prior year impairment		-	53,329
<b>Net cash (outflow)/inflow from investing activities</b>		<b>(3,297,153)</b>	<b>50,700</b>
<b>Cash flows from financing activities</b>			
Repayment of hire purchase liabilities	3(iii)	(3,846,247)	-
<b>Net cash (outflow)/inflow from financing activities</b>		<b>(3,846,247)</b>	<b>-</b>
Net (decrease)/increase in cash held		(2,325,037)	3,190,499
Cash and cash equivalents at the beginning of the period		13,322,300	10,131,801
<b>Cash and cash equivalents at the end of the period</b>	3(i)	<b>10,997,263</b>	<b>13,322,300</b>

The accompanying notes form part of these financial statements

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### NOTE 1: REVENUE AND EXPENSES

	Consolidated	
	2019	2018
	\$	\$
<b>(a) Revenue</b>		
Rendering of services – over time	38,535,695	15,939,479
<b>(b) Other income</b>		
Interest income	250,243	127,702
Insurance proceeds	17,066	-
Miscellaneous	5,909	3,640
Fuel tax credits	43,676	-
Recovery of previously impaired loan	-	53,329
	316,894	184,671
<b>(c) Expenses</b>		
Depreciation of non-current assets	(3,567,355)	(1,163,295)
Operating lease rental expense	(493,949)	(405,101)
Share based payments expense	(12,446)	(36,415)
Impairment charge – Goodwill on MSA acquisition	(1,687,969)	-

### NOTE 2: EARNINGS PER SHARE

	Consolidated	
	2019	2018
	Cents per share	Cents per share
Basic and diluted loss per share	(0.28)	(0.08)
Loss after income tax used to calculate basic loss per share	(1,796,671)	(508,446)
	Number	Number
Weighted average number of ordinary shares for the purposes of basic diluted loss per share	631,582,149	631,404,067

### NOTE 3: CASH AND CASH EQUIVALENTS

	Consolidated	
	2019	2018
	\$	\$
Cash at bank and on hand	10,997,263	13,322,300

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.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### NOTE 3: CASH AND CASH EQUIVALENTS (continued)

#### (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:

	2019	2018
	\$	\$
Cash and cash equivalents	10,997,263	13,322,300
<b>(ii) Reconciliation of net profit for the year to net cash flows from operating activities</b>		
Net loss for the year	(2,664,568)	(508,446)
(Profit)/loss on sale or disposal of assets	(3,919)	65,468
Depreciation	3,567,355	1,163,295
Impairment of goodwill	1,687,969	-
Equity settled share-based payment	12,446	36,415
(Increase)/decrease in operating assets:		
Trade and other receivables	(52,056)	(4,070,807)
Inventories	359,419	2,531
Deferred tax	438,276	(107,186)
Increase/(decrease) in operating liabilities:		
Trade and other payables	1,329,475	6,071,771
Provisions	143,966	486,758
Net cash provided by/(used in) operating activities	4,818,363	3,139,799

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

	Consolidated	
	Lease liabilities	Total
	\$	\$
<u>30 June 2019</u>		
Opening balance	-	-
Acquisition of plant and equipment by means of finance leases	2,944,991	-
Acquisition through business combination	7,331,716	-
Other changes	(3,846,247)	-
	6,430,460	-

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

**NOTE 4: CURRENT TRADE AND OTHER RECEIVABLES**

	Consolidated	
	2019	2018
	\$	\$
Trade receivables	3,567,927	1,824,047
Provision for impairment	(214,904)	-
	3,353,023	1,824,047
Loan receivable	1,558,438	-
Other receivables	62,308	15,027
Accrued income	65,919	3,194,897
Prepayments	422,500	224,069
	5,462,188	5,258,040

(i) The average credit period on sales of goods and rendering of services is 35 days (2018: 38 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.

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.

	Consolidated	
	2019	2018
	\$	\$
30 – 60 days	85,918	419,829
60 – 90 days	535,472	-
90 + days	-	-
Total	621,390	419,829

**Movement in the allowance for doubtful debts**

	Consolidated	
	2019	2018
	\$	\$
Balance at the beginning of the year	-	-
Impairment gains/(losses) recognised on receivables (from MSA acquisition)	(214,904)	-
Balance at the end of the year	(214,904)	-

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

**NOTE 5: INVENTORIES**

	Consolidated	
	2019 \$	2018 \$
At cost:		
Raw materials and stores	13,890	12,891
Work in progress (i)	371,642	732,060
	<u>385,532</u>	<u>744,951</u>

(i) Work in progress	Consolidated	
	2019 \$	2018 \$
Contract costs incurred	46,197,860	27,728,653
Recognised profits	9,042,506	3,257,715
	<u>55,240,366</u>	<u>30,986,368</u>
Progress billings	(57,995,363)	(34,329,922)
Work in progress	(2,754,997)	(3,343,554)
Income in advance	3,126,639	4,075,614
	<u>371,642</u>	<u>732,060</u>

**NOTE 6: PROPERTY, PLANT AND EQUIPMENT**

	Consolidated	
	2019 \$	2018 \$
At 1 July, net of accumulated depreciation and impairment	5,669,275	6,945,123
Assets acquired through business combination (see Note 13)	7,418,521	-
Additions	3,361,906	64,663
Disposals	(64,036)	(177,216)
Depreciation charge for the year	(3,567,355)	(1,163,295)
At 30 June, net of accumulated depreciation	<u>12,818,311</u>	<u>5,669,275</u>
Cost or fair value	28,530,210	17,859,783
Accumulated depreciation and impairment	(15,711,899)	(12,190,508)
	<u>12,818,311</u>	<u>5,669,275</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### NOTE 7: TRADE AND OTHER PAYABLES

	Consolidated	
	2019	2018
	\$	\$
Current		
Trade payables	2,321,040	2,075,302
Other payables	1,270,689	759,304
Income received in advance	3,126,639	4,075,614
	<u>6,718,368</u>	<u>6,910,220</u>

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

### NOTE 8: BORROWINGS

	Consolidated	
	30 June 2019	30 June 2018
	\$	\$
<b>Current</b>		
Hire purchase liabilities	2,794,276	-
	<u>2,794,276</u>	<u>-</u>
<b>Non-current</b>		
Hire purchase liabilities	3,636,184	-
	<u>3,636,184</u>	<u>-</u>
Total borrowings	<u>6,430,460</u>	<u>-</u>
<b>Secured</b>		
Hire purchase liabilities (1)	6,430,460	-
Total secured borrowings	<u>6,430,460</u>	<u>-</u>
<b>Total borrowings</b>	<u>6,430,460</u>	<u>-</u>

#### Hire Purchase liabilities

Assets under hire purchase contracts are pledged as security for the related hire purchase liabilities.

#### 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 \$2,500,000 (at 30 June 2019, amount used: \$Nil; amount unused \$2,500,000);
- Electronic Payaway Facility limit at 30 June 2019: \$250,000; and
- Commercial card facility limit at 30 June 2019: \$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 CGU Insurance Ltd is also in place.

#### Performance bond facility

The Company has these arrangements in place:

- Performance bond facility with CGU Insurance Ltd of \$10,000,000 (at 30 June 2019 amount used \$1,660,664 (30 June 2018: \$1,116,868); amount unused \$8,339,396 (30 June 2018: \$8,883,132)).

The performance bond facility is 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 CGU Insurance Ltd is in place.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### NOTE 9: PROVISIONS

#### Employee Entitlements:

	2019	2018
<b>Consolidated</b>	\$	\$
At 1 July	499,298	243,960
Net movements	143,966	255,338
At 30 June	643,264	499,298

<b>2019</b>	Employee benefits	Total
<b>Consolidated</b>	\$	\$
Current	623,110	623,110
Non-current	20,154	20,154
	643,264	643,264

<b>2018</b>	Employee benefits	Total
<b>Consolidated</b>	\$	\$
Current	482,745	482,745
Non-current	16,553	16,553
	499,298	499,298

### NOTE 10: ISSUED CAPITAL

	30 June 2019		30 June 2018	
	Number of shares	\$	Number of shares	\$
(a) Paid up capital:	631,404,067	7,836,308	631,404,067	7,836,308

#### (b) Movements in ordinary share capital:

	Year to 30 June 2019		Year to 30 June 2018	
	Number of shares	\$	Number of shares	\$
Balance at beginning of financial period	631,404,067	7,836,308	631,404,067	7,836,308
Issue of shares on vesting of incentive rights	625,000	-	-	-
Balance at end of financial period	632,029,067	7,836,308	631,404,067	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.

#### Options

On 3 October 2014 the Company issued 6,000,000 Options exercisable at 4 cents on or before 28 July 2017. The Options were issued to an adviser in relation to the Company's acquisition of 100% of the share capital in Central Systems Pty Ltd, and were issued under the Company's 15% placement capacity.

The options were not exercised on or before 28 July 2017 and therefore subsequently expired.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### NOTE 10: ISSUED CAPITAL (continued)

#### Incentives

There were no incentives issued during the year ended 30 June 2019 however there were 625,000 incentives exercised. 1,125,000 incentives (2018: Nil) incentives expired. There are currently 500,000 (2018: 2,250,000) incentives on issue. All incentives vested on 16 January 2019.

	Year ended 30 June 2019 Number	Year ended 30 June 2018 Number
<i>Movement in employee incentives</i>		
Balance at beginning of financial period	2,250,000	2,250,000
Incentives exercised	(625,000)	-
Incentives vested, expired	(1,125,000)	-
Balance at end of financial period	500,000	2,250,000

### NOTE 11: SHARE BASED PAYMENTS AND RESERVE

	Consolidated	
	Share based payments reserve \$	Total \$
<b>At 1 July 2018</b>	121,689	121,689
Recognition of share-based payments	12,446	12,446
<b>At 30 June 2019</b>	134,135	134,135

#### 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.

### NOTE 12: DIVIDENDS

There were no dividends declared or paid during the year ended 30 June 2019 (30 June 2018: \$Nil).

	Consolidated	
	2019 \$	2018 \$
<i>Franking account balance</i>		
The amount of franking credits available for subsequent financial years are:		
Franking account balance as at the end of the financial year at 27.5% (2018: 27.5%)	4,068,883	4,064,349
Franking credits that will arise from the payment of income tax payable as at the end of the financial year	-	-
	4,068,883	4,064,349

The tax rate at which any dividends would have been franked is 27.5% (2018: 27.5%).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### NOTE 13: BUSINESS COMBINATIONS (continued)

#### 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 date 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 dated 11 July 2018, 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.

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 because of 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 2019****NOTE 13: BUSINESS COMBINATIONS (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:

- (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 has not been recorded as goodwill and has instead been expensed to the Statement of Profit or Loss as an impairment charge.

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 14: EVENTS AFTER THE REPORTING PERIOD**

There are no significant events to report after the end of the reporting period.



**Compliance statement**

This report has been prepared under accounting policies, which comply with accounting standards as defined in the Corporations Act or other standards acceptable to the ASX.

This report, and the accounts upon which the report is based (if separate), use the same accounting policies.

This report does give a true and fair view of the matters disclosed.

This report is based on accounts to which one of the following applies.

(Tick one)

- |                                     |   |                          |   |
|-------------------------------------|---|--------------------------|---|
| <input type="checkbox"/>            | The accounts have been audited  | <input type="checkbox"/> | The accounts have been subject to review                  |
| <input checked="" type="checkbox"/> | The accounts are in the process of being audited or subject to review | <input type="checkbox"/> | The accounts have <i>not</i> yet been audited or reviewed |



Sign here: .....

Date: 30 August 2019  
(Chairman)

Print name: Andrew Ellison

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