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Appendix 4E

**Preliminary final report**
**Financial Year Ended 30 June 2022**
**Previous corresponding reporting period 30 June 2021**

**RESOURCE DEVELOPMENT GROUP LIMITED**
ABN: 33 149 028 142

| **Results for announcement to the market** | | | | $A |
|---|---|---|---|---|
| Revenues from continuing operations | Down | 24.4% | To | $50,744,224 |
| Profit from continuing operations after tax attributable to the members of Resource Development Group Limited | Up | 823.2% | To | $3,532,934 |
| Profit for the period attributable to the members of Resource Development Group Limited | Up | 221.0% | To | $3,606,051 |

| | **30 June 2022** | **30 June 2021** |
|---|---|---|
| **Net tangible asset backing per security** | $0.023 | $0.004 |

| **Dividends** | **Amount per security** | **Franking %** |
|---|---|---|
| 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 2022.

**Statement of financial position**
Refer attached financial report for the year ended 30 June 2022.

**Statement of cash flows**
Refer attached financial report for the year ended 30 June 2022.

**Dividend reinvestment plans**
Not applicable.

**Statement of changes in equity**
Refer attached financial report for the year ended 30 June 2022.

**Gain or loss of control over entities**
Refer attached financial report for the year ended 30 June 2022.

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**Associates and joint ventures**

Refer attached financial report for the year ended 30 June 2022.

**Other significant information**

Not applicable.

**Foreign entities**

Refer attached financial report for the year ended 30 June 2022.

**Commentary on results for the period**

Commentary on the above figures is included in the attached financial report for the year ended 30 June 2022 from page 3.

**Status of audit**

The financial report for the year ended 30 June 2022 has been audited and is not subject to dispute or qualification. Refer to the Independent Audit Report within the enclosed financial report.

*This announcement has been authorised for release to the ASX by the Board of Resource Development Group Ltd.*

**Signed:** Michael Kenyon
CFO & Company Secretary
Resource Development Group Ltd

**Date:** 31 August 2022

# Resource Development Group Limited

**ABN 33 149 028 142**

**Annual Financial Report**
**30 June 2022**

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# Resource Development Group Limited

**ABN 33 149 028 142**

**Annual Financial Report**

**30 June 2022**

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## Contents

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## CORPORATE INFORMATION

**ABN 33 149 028 142**

### Directors

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

### Company Secretary

Mr. Michael Kenyon

### Registered Office

Level 3, 14 Walters Drive
OSBORNE PARK WA 6017
Telephone: +61 8 9443 2928
Facsimile: +61 8 9443 2926

### Principal Place of Business

Level 3, 14 Walters Drive
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 5, 240 St George's Terrace
PERTH WA 6000

### Auditors

HLB Mann Judd (WA Partnership)
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)

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# 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 2022. 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 executive 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 Mark Wilson** (Chairman, Non-Executive Director)

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. He has held senior positions in several Australian and international companies, including Laing O'Rourke, Multiplex and Brookfield Multiplex. He 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). Mr. Wilson was appointed as the Chief Financial Officer of Mineral Resources Limited in August 2018 and also became the joint Company Secretary in October 2018.

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)

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. Mr. Grey joined Mineral Resources Limited in 2009 and is currently Chief Executive, Mining Services.

In the three years immediately before the end of the financial year Mr Grey served as a non-executive director of Hazer Group Ltd between April 2019 and May 2020.

**Mr Paul Brown** (Non-Executive Director)

Mr Brown has over 20 years of experience in the mining industry with a strong track record in multiple disciplines including general management, operational management, technical leadership, project/studies management, business improvement, mineral resource evaluation and mine planning. Prior to joining Mineral Resources Limited, he held senior operating roles with Leighton, HWE and FMG gaining both contractor and own miner experience through a broad range of technical, operational and construction roles spanning large scale open cut operations across a range of commodities including iron ore, lithium, and copper. Mr Brown is a qualified mining engineer with a Masters in Mine Engineering M. Eng (MI) from Federation University in Victoria and also holds mechanical trade qualifications. Since joining Mineral Resources Limited, Mr. Brown has held a number of senior leadership roles and is currently Chief Executive, Lithium.

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.

**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 25 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.

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## DIRECTORS' REPORT (continued)

**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 |
|---|---|---|
| Andrew Ellison | 141,333,058 | 5,131,357 |
| Mark Wilson | - | 5,131,357 |
| Mike Grey | 274,683 | 5,131,357 |
| Paul Brown | - | 5,131,357 |

**Shares under option or issued on exercise of options**
At the date of this report, unissued ordinary shares of the Company under option are as follows:

| Date options granted | Number of shares under option | Exercise price | Expiry date of option |
|---|---|---|---|
| 13 June 2022 | 16,030,633 | $0.049 | 13 June 2025 |
| 14 January 2021 | 8,311,688 | $0.07 | 14 January 2024 |
| **Total** | **24,342,321** | | |

**Incentives granted and subject to vesting**
There were no incentives outstanding as at 30 June 2022 (2021: Nil).

**Share options/incentives granted to directors and senior management**
During the financial year, each of the directors was granted 3,053,435 options as part of their remuneration. The options had all vested by 30 June 2022, expire on 13 June 2025 and have an exercise price of $0.049.

**Unissued shares**
There were no unissued shares as at 30 June 2022 (2021: 75,000,000).

**Principal Activities**

The principal activities of the entities within the consolidated entity during the year were the provision of contracting and construction services to the mining sector within Australia, development of the Company's Lucky Bay Garnet Project including the establishment of seven wind turbines and continued progress of the Ant Hill/Sunday Hill manganese project.

**Review of operations**

RDG reported a net profit after tax from its continuing operations of $3.5m (2021: $0.4m), whilst its underlying Earnings before interest, depreciation, amortisation, and taxation (EBITDA) from its continuing operations for the period was $6.6m (2021: $1.6m). The Group has focussed its energy over the past financial year on continuing to grow the Central Systems Pty Ltd (Centrals) business, continued the development of its Ant/Sunday Hill manganese project as well as the advancement of its Lucky Bay Garnet project following the acquisition of those assets during January 2021.

The total profit and comprehensive income attributable to the shareholders of the Company was $3.6m (2020: $1.1m). The Group's operating cash flow was $5.0m (2021: $16.6m) resulting in cash at bank at 30 June of $15.4m (2021: $23.9m).

The Company's wholly owned subsidiary, Centrals, continued to successfully complete various projects in the Northwest of Western Australia for Fortescue Metals Group Ltd (FMG) and various projects for Mineral Resources Ltd (MRL) during the year. The Company also self-performed the construction activities at the Lucky Bay Garnet project through its subsidiary, Centrals.

The Group's overall borrowings increased to $55.9m by 30 June 2022 (2021: $3.0m), largely as a result of drawing on the loan from the parent entity, Mineral Resources Limited, to fund the Lucky Bay Garnet project. There was also some additional capital expenditure at Centrals to reinvigorate its ageing construction fleet that was funded by way of new hire purchase liabilities.

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## DIRECTORS' REPORT (continued)

**Operations**

Headquartered in Perth, RDG provides diversified mining services to the resources, infrastructure, and energy sectors within Australia, as well as owning two mining projects. RDG has offices/facilities in Perth and Newman, as well as manganese and garnet mining tenements in the Northwest of Western Australia.

RDG had four wholly owned subsidiaries as at 30 June 2022 and an 80% equity interest in another four subsidiaries: Mineral Solutions Australia Pty Ltd, Crushing Service Solutions Pty Ltd, Aggregate Crushing Australia Pty Ltd and Ore Sorting Australia Pty Ltd (whose operations were discontinued during the previous financial year):

- Central Systems Pty Ltd (Centrals) provides multi-discipline construction and plant modification services to the resources, energy, and infrastructure sectors in Australia.
- Comcen Pty Ltd, is the holder of the Ant Hill and Sunday Hill manganese project;
- Australian Garnet Pty Ltd (AGPL), is the holder of the Lucky Bay Garnet project and associated power infrastructure including wind turbines; and
- RDG Technologies Pty Ltd, a newly formed resource and technology-based company that will explore opportunities to develop critical and battery minerals businesses within the RDG portfolio.

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

- Multi-disciplinary construction services (civil, structural, mechanical, piping and tanks (SMPT), and non-process infrastructure building works
- Plant modification services
- Engineering, procurement, construction management (EPCM), project management consultancy (PMC) or integrated team project delivery solutions
- Engineering, procurement, and construction (EPC) project delivery solutions
- Design and construct (D&C) package delivery solutions
-

**Workforce Capacity and Capability**

On 30 June 2022, the Company employed approximately 125 people (2021: 158 people). Staff numbers remained reasonably constant throughout the past year as the Central Systems business continued delivering various projects for FMG and other clients. The Company's subsidiary that houses its garnet project, Australian Garnet Pty Ltd, also commenced employing new staff during the year. The Company is pleased that it has been able to ramp up and retain its workforce over the past year, particularly in light of a very tight labour market and continued labour supply pressures.

**Strategy and Outlook**

The Company's strategic direction continues to be the development of its Lucky Bay Garnet project and its Ant Hill/Sunday Hill manganese project. The garnet project will shortly be providing long term sustainable revenue streams which in turn will start yielding acceptable return on capital. The Company has been working to identify a third project that is capable of being developed and retained for the long term. In this regard, the Company established RDG Technologies Pty Ltd during the year to explore opportunities to develop critical and battery minerals businesses.

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

- Continue to actively pursue and deliver construction projects for our long-term customers aligned with our traditional skills and market sectors that will generate acceptable profit margins. This will include performing our own projects such as the Lucky Bay Garnet project, as well as those for our long-term customers, including MRL and FMG;
- Diversify our existing business, ensure overheads and operating costs are kept proportionate to revenue; and
- Identify other opportunities that are complementary to our existing business.

The Board is satisfied that it continues to actively manage the areas above and is confident that the long-term direction of the Company is now well-defined for its shareholders.

RDG has also been working to develop a detailed operational readiness plan for its Lucky Bay Garnet project, to take the project into production. Onsite construction is virtually complete with commissioning underway in Q3 2022.

The Company has to date been able to navigate the challenges of the COVID-19 pandemic without delay or incident, however it continues to remain cautiously aware of any potential risk of a further outbreak.

Your directors are extremely pleased with the progress to date and have utmost confidence that the Company's outlook for the next 12-24 months is extremely promising, particularly with the development of its Lucky Bay Garnet project.

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## DIRECTORS' REPORT (continued)

### Operating results for the year

The Group reported a net profit before income tax from continuing operations for the reporting year ended 30 June 2022 of $3.6 million (2021: $0.4m), up 800%. Revenues from continuing operations were $50.8m (2021: $67.1m), which is down 24.2% on the previous year.

### Risk management

Senior management have made decisions on how to 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 2022, it is not practicable to estimate the potential impact, positive or negative, after the reporting date.

### Significant events after balance date

On 30 August 2022, the Company announced that it had executed a Share Sale Agreement with the shareholders of Peloton Resources Pty Ltd, to acquire all of the issued capital in that company, subject to the satisfaction of certain outcomes over a 12-month period. The consideration includes a $1 million cash payment and the issue of $3 million of the Company's ordinary shares. Furthermore, a deferred element of an additional $3m of the Company's ordinary shares will be issued upon the execution of a supply agreement for red mud within a specific timeframe.

No other matter or circumstance has arisen since 30 June 2022 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.

### 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 table below outlines all of the existing and proposed environmental legislative approvals or consultations in relation to its Lucky Bay garnet project:

| Relevant Legislation | Environmental Factor Regulated / Affected | Approval and or status |
|---|---|---|
| Environment Protection and Biodiversity Conservation Act 1999 (EPBC Act)<br><br>(DAWE) | Impacts to matters of national significance. | EPBC Referral not required as no Matters of National Environmental Significance will be affected. |
| Environmental Protection Act 1986<br>(Part IV)<br><br>(DWER) | Flora and Vegetation.<br>Landforms.<br>Subterranean Fauna.<br>Terrestrial Environmental Quality.<br>Terrestrial Fauna.<br>Inland Waters.<br>Air Quality.<br>Social Surroundings.<br>Human Health. | The Project was referred to the EPA by a third party in early September 2021 and a Referral submission under Section 38 of the EP Act provided to the EPA on 26 November 2021. The Project may require formal assessment under Part IV of the EP Act. |

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## DIRECTORS' REPORT (continued)

### Environmental legislation (continued)

| Relevant Legislation | Environmental Factor Regulated / Affected | Approval and or status |
|---|---|---|
| Relevant Legislation | Environmental Factor Regulated / Affected | Approval and or status |
| Environmental Protection Act 1986 (Part V) | Water Resources<br>Emissions | Works Approval W6214 – Phase 1 and 2 of Menari pit on tenements M 70/1280, G 70/253 and L 70/134 only. Currently classified as Prescribed premises Category 08 Mineral Sand Mining and Processing |
| Rights in Water and Irrigation Act 1914<br>(Section 5C)<br>(DWER) | Water Resources | Approved GWL 170860(6) for 2.015 GL pa sufficient for project demands. |
| Aboriginal Heritage Act 1972 (DPLH) | Aboriginal Heritage Sites | Current Mine Plan does not impact any sites. |
| Biodiversity Conservation Act 2016 (DBCA) | Biodiversity (threatened flora and fauna) ecosystems<br>Ethical handling of native fauna | Conservation significant flora, vegetation or fauna will not be impacted. |
| Conservation and Land Management Act 1984 (DBCA) | Conservation Estates | There are no conservation estates located within or immediately adjacent to the Mining Lease.<br>Utcha Well Nature Reserve is located 10 km to the south and Kalbarri National Park is located over 10 km to the north of M 70/1387. |
| Contaminated Sites Act 2003 (DWER) | Contaminated Lands | No contaminated sites identified on or near the project area. |
| Dangerous Goods Safety Act 2004 (DMIRS) | Dangerous Goods / Storage and Licencing | Diesel is the only DG currently identified for site (over 100 KL). DG licence application not yet commenced. |
| Environmental Protection Act 1986<br>(Section 51E) | Native Vegetation Clearing Permit | Clearing Permit CPS 3891-4 Approved on 7 September 2021 for 90 ha within northern half of M 70/1280 and L 70/134. This permit has been appealed.<br>CPS 9057/1 approved on 13 July 2021 for 71 ha within the southern half of M 70/1280 and tenements G 70/253, L 70-167, L 70/178 and L 70/215.<br>CPS 8358/1 approved on 23 May 2019 for 1.4 ha on L 70/178.<br>Clearing Permit application required for mining Menari North areas in M 70/1387. |

## DIRECTORS' REPORT (continued)

### Environmental legislation (continued)

| | | |
|---|---|---|
| Health Act 1911<br>Department of Health (DoH) | Public health and site emissions | Permit to Install and operate Apparatus for the Treatment of Sewage granted. |
| Native Title Act 1993 | Native Title Claims | Project lies on freehold land, so Native Title is extinguished. |
| Local Government Act 2011 | Building Permits | Permits not yet applied for. Wastewater disposal application submitted and approved by Shire of Northampton. |
| Main Roads Act 1930 | Heavy Haulage Permit<br>Driveway access onto George Grey Drive | Accredited Mass Management Scheme (AMMS) application not submitted. Not needed unless heavier payloads required. Expect haulage to be contract.<br>Two separate applications to MRWA were approved for driveway access. |
| Mining Act 1978 | Mining Proposal and Closure Plan | The following MPs and MCPs have been approved for the Project:<br>• REG ID 55347 (MP/MCP) approved on 23 October 2015<br>• REG ID 58732 approved on 16 March 2016<br>• REG ID 97057 approved on 30 June 2021<br>This MP has been prepared to amalgamate the three aforementioned MPs and seeks approval for the additional activities and variation to approved activities detailed within. An updated MCP (Revision 2, Version 1) has also been updated and prepared to accompany the Mining Proposal which details how disturbance will be rehabilitated as required by tenement conditions set under the Mining Act. |
| Radiation Safety Act 1975 | Management of radiological risk | Risks to human health and environment will be jointly managed by DMIRS and the Radiological Council of WA (RCWA). A Radiation Management Plan (RMP) will be developed and approved by DMIRS and RCWA before material processing may operate. |

### 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.



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## DIRECTORS' REPORT (continued)

**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 2022. 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) |
| Mr Mike Grey | (Non-Executive Director) |
| Mr Paul Brown | (Non-Executive Director) |

**(ii) Executives**

| | |
|---|---|
| Mr Gary Reid | Director, Construction |
| Mr Michael Kenyon | Chief Financial Officer/Company Secretary |

*Remuneration philosophy*

The performance of the Company depends upon the quality of the key management personnel. 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 consists of the Board of Directors of the Company and is responsible for determining and reviewing compensation arrangements for the key management personnel.

The Remuneration Committee assesses the appropriateness of the nature and amount of remuneration of key management personnel 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.

*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.

The remuneration of directors for the year ended 30 June 2022 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).

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## DIRECTORS' REPORT (continued)

**Remuneration report (continued)**

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:

| | $ | $ | $ | $ | $ |
|---|---|---|---|---|---|
| | | | Restated[1] | | |
| | 2022 | 2021 | 2020 | 2019 | 2018 |
| Revenue | 50,791,617 | 67,123,044 | 20,938,155 | 38,535,695 | 15,939,479 |
| Net profit/(loss) after tax (excluding non-controlling interests) | 3,606,051 | 1,123,328 | 1,471,776 | (1,796,671) | (508,446) |
| Share price at year-end ($) | 0.041 | 0.042 | 0.03 | 0.018 | 0.021 |
| Earnings per share (cents) | 0.12 | 0.042 | 0.0021 | (0.0028) | (0.008) |

[1] *The 30 June 2020 comparatives have been restated for the reclassification of the discontinued operation.*

*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.

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, options were issued to directors during the year which were not performance-based.

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# DIRECTORS' REPORT (continued)

**Remuneration report (continued)**

***Service/Employment contracts***

*Mr Andrew Ellison (Managing Director)*

Mr Ellison had an original Contract Services Agreement dated 10 September 2014 with the Company, engaging him as Chairman/Managing Director 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 Board agreed to increase the rate to $35,000 per month, with effect from 1 January 2021, because of the increased activity in the Company and no increase in the rate for almost seven years.

With effect from 1 July 2022, Mr Ellison entered into a new Executive Service Agreement with the Company on a fixed cash salary of $500,000 per annum in addition to the statutory cap for superannuation being $27,500 per annum. The Executive Service Agreement does not have a fixed term.

The agreement may be terminated by either party giving six months' 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 employment.

*Mr Mark Wilson (Chairman/Non-Executive Director)*

Mr Wilson is an appointee of Mineral Resources Limited which became a substantial shareholder on 17 June 2020 because 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)*

Mr Grey is an appointee of Mineral Resources Limited which became a substantial shareholder on 17 June 2020 because 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)*

Mr Brown is an appointee of Mineral Resources Limited which became a substantial shareholder on 17 June 2020 because 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 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. From 1 October 2020, the rate was increased to $1,400 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.

*Mr Gary Reid (Director, Construction)*

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.

On 14 June 2022, Mr. Reid agreed to a variation of his ESA to take effect from 1 July 2022, with the following changes:

- Base salary cash component has increased to $400,000 per annum plus superannuation to the statutory cap; and
- Increase of project uplift payment to $75,000 per annum.

The agreement may be terminated by either party giving three months' written notice. 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.

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# DIRECTORS' REPORT (continued)

## Remuneration report (continued)

*Remuneration of directors and named executives*

### Table 1: Key Management Personnel remuneration for the years ended 30 June 2022 and 30 June 2021

| | | Short-term employee benefits | | | | Post-employment benefits | Other long-term benefits | Equity | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Salary & fees $ | Bonuses $ | Non-monetary benefits $ | Other $ | Superannuation $ | Long-service leave $ | Options $ | Total $ | Performance related % |
| Mr Andrew Ellison | 2022 | 420,000 | - | - | - | - | - | 100,952 | 520,952 | - |
| | 2021 | 380,000 | - | - | - | - | - | 80,000 | 460,000 | - |
| Mr Mark Wilson | 2022 | - | - | - | - | - | - | 100,953 | 100,953 | - |
| | 2021 | - | - | - | - | - | - | 80,000 | 80,000 | - |
| Mr Mike Grey | 2022 | | - | - | - | - | - | 100,952 | 100,952 | - |
| | 2021 | - | - | - | - | - | - | 80,000 | 80,000 | - |
| Mr Paul Brown | 2022 | - | - | - | - | - | - | 100,953 | 100,953 | - |
| | 2021 | - | - | - | - | - | - | 80,000 | 80,000 | - |
| Mr Gary Reid | 2022 | 386,983 | 100,000 | - | - | 25,232 | - | 100,952 | 613,167 | 32.8 |
| | 2021 | 386,983 | - | - | - | 19,307 | - | - | 406,290 | - |
| Mr Michael Kenyon | 2022 | 144,270 | - | - | - | - | - | 25,238 | 169,508 | 14.9 |
| | 2021 | 131,558 | - | - | - | - | - | - | 131,558 | - |
| **Totals** | **2022** | **951,253** | **100,000** | **-** | **-** | **25,232** | **-** | **530,000** | **1,606,485** | **14.1** |
| | **2021** | **898,541** | **-** | **-** | **-** | **19,307** | **-** | **320,000** | **1,237,848** | **-** |

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# DIRECTORS' REPORT (continued)

**Remuneration report (continued)**

***Key Management Personnel equity holdings***

**Ordinary shares held in Resource Development Group Limited (number)**

| 30 June 2022 | Balance at beginning of period | Balance on appointment | Purchased/ (Sold) | On exercise of incentives | Net change other | Balance on resignation | Balance at end of period |
|---|---|---|---|---|---|---|---|
| **Directors** | | | | | | | |
| Mr Andrew Ellison | 138,983,058 | - | 2,350,000 | - | - | - | 141,333,058 |
| Mr Mark Wilson | - | - | - | - | - | - | - |
| Mr Mike Grey | 274,683 | - | - | - | - | - | 274,683 |
| Mr Paul Brown | - | - | - | - | - | - | - |
| **Executives** | | | | | | | |
| Mr Gary Reid | 138,983,058 | - | - | - | - | - | 138,983,058 |
| Mr Michael Kenyon | 500,000 | - | 250,000 | - | - | - | 750,000 |

**Ordinary shares held in Resource Development Group Limited (number)**

| 30 June 2021 | Balance at beginning of period | Balance on appointment | Purchased/ (Sold) | On exercise of incentives | Net change other | Balance on resignation | Balance at end of period |
|---|---|---|---|---|---|---|---|
| **Directors** | | | | | | | |
| Mr Andrew Ellison | 105,649,724 | - | 33,333,334 | - | - | - | 138,983,058 |
| Mr Mark Wilson | - | - | - | - | - | - | - |
| Mr Mike Grey | - | - | 274,683 | - | - | - | 274,683 |
| Mr Paul Brown | - | - | - | - | - | - | - |
| **Executives** | | | | | | | |
| Mr Gary Reid | 105,649,724 | - | 33,333,334 | - | - | - | 138,983,058 |
| Mr Michael Kenyon | 1,000,000 | - | (500,000) | - | - | - | 500,000 |

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## DIRECTORS' REPORT (continued)

**Remuneration report (continued)**

**Options held in Resource Development Group Ltd (number)**

| **2022** | Opening balance | Options granted | Closing balance |
|---|---|---|---|
| **Directors** | | | |
| Mr Andrew Ellison | 2,077,922 | 3,053,435 | 5,131,357 |
| Mr Mark Wilson | 2,077,922 | 3,053,435 | 5,131,357 |
| Mr Mike Grey | 2,077,922 | 3,053,435 | 5,131,357 |
| Mr Paul Brown | 2,077,922 | 3,053,435 | 5,131,357 |
| **Executives** | | | |
| Mr Gary Reid | - | 3,053,435 | 3,053,435 |
| Mr Michael Kenyon | - | 763,458 | 763,458 |

| **2021** | Opening balance | Options granted | Closing balance |
|---|---|---|---|
| **Directors** | | | |
| Mr Andrew Ellison | - | 2,077,922 | 2,077,922 |
| Mr Mark Wilson | - | 2,077,922 | 2,077,922 |
| Mr Mike Grey | - | 2,077,922 | 2,077,922 |
| Mr Paul Brown | - | 2,077,922 | 2,077,922 |

The terms and conditions attributable to the options issued during the year ended 30 June 2022 are as follows:

| | |
|---|---|
| Spot price on grant date | $0.06 |
| Exercise price | $0.049 |
| Expiry date (length of time from issue) | 3 years from date of issue |
| Risk fee interest rate | 0.26% |
| Volatility | 77% |

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

Under the terms of the Securities for Fees 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 several 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.

## DIRECTORS' REPORT (continued)

**Remuneration report (continued)**

If, in the opinion of the Board any of the following has occurred or is likely to occur, the Company entering 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.

**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*
Allmont Pty Ltd as trustee for the Allmont Trust (Andrew Ellison); and
Matthew Reid Project Management Pty Ltd (Gary Reid).
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 was on a rolling month-by-month arrangement since that date, however was terminated on 31 July 2021.
Rental payments made for the year 1 July 2021 to 30 June 2022 were $11,400 (2021: $136,800). At balance date, $Nil (2021: $Nil) was payable to the Slipstream Property Trust.

*Grisam Investments Pty Ltd as trustee for the Grisam Property Trust*
Allmont Pty Ltd as trustee for the Allmont Trust (Andrew Ellison); and
Gary Reid as trustee for the Gary Reid 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 2021 to 30 June 2022 were $210,000 (2021: $210,000). At balance date, $Nil (2021: $Nil) was payable to Grisam Investments Pty Ltd.

**(b) Transactions with parent entity (Mineral Resources Limited - MRL)**

The Group had the following transactions with MRL during the year ended 30 June 2022:

- The Group invoiced project work to MRL in the sum of $10,197,364
- MRL invoiced services and equipment in relation to the Group's Lucky Bay Garnet Project in the sum of $43,748,590



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## DIRECTORS' REPORT (continued)

**Remuneration report (continued)**

The Group entered into a secured loan of $35 million with Mineral Resources Limited (MRL) in June 2020. The loan has 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 the subsidiary, Comcen Pty Ltd and Resource Development Group Limited as well as a mining mortgage over Comcen's mineral assets.

On 17 June 2021, the Company executed a variation to the Loan Agreement described above. In this variation, MRL agreed to extend the advance to $60 million and allocate the funds to the development of the Company's Lucky Bay Garnet project. All other terms of the loan agreement remain static. At 30 June 2022, an amount of $52,212,590 was drawn, which includes accrued interest of $1,404,898. No amounts were drawn at 30 June 2021.

The Company occupies office space at a building located at 14 Walters Drive, Osborne Park. The building is leased by MRL, and the Company has agreed to the annual charges with effect from 1 July 2022 and is in the process of establishing a formal lease agreement.

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

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## 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:** | 10 | 10 | - | - |
| | | | | |
| **Number of meetings attended:** | | | | |
| Mr Andrew Ellison | 10 | 10 | - | - |
| Mr Mark Wilson | 10 | 10 | - | - |
| Mr Mike Grey | 9 | 10 | - | - |
| Mr Paul Brown | 10 | 10 | - | - |

***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 15 and forms part of this directors' report for the year ended 30 June 2022.

**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, HLB Mann Judd 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 2022

**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 2022, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(a) the auditor independence requirements as set out in 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 2022**

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

**hlb.com.au**

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HLB Mann Judd (WA Partnership) is a member of HLB International, the global advisory and accounting network.

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## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2022

| | Notes | Consolidated 30 June 2022 $ | 30 June 2021 $ |
|---|---|---|---|
| **Continuing operations** | | | |
| Revenue | 2(a) | 50,744,224 | 67,123,044 |
| Other income | 2(b) | 180,148 | 37,695 |
| Profit on sale of assets | | 275,364 | 75,889 |
| Cost of sales | | (26,560,910) | (39,445,040) |
| Employee benefits expense | | (15,549,707) | (23,298,712) |
| Depreciation and amortisation expense | 9 | (1,462,169) | (1,170,076) |
| Finance costs | | (136,547) | (128,942) |
| Share-based payments | 2(c) | (530,000) | (320,000) |
| Other expenses | 2(c) | (1,885,565) | (2,011,444) |
| **Profit before income tax** | | 5,074,838 | 862,414 |
| Income tax (expense)/benefit | 3 | (1,541,904) | (479,720) |
| **Profit after income tax from continuing operations** | | 3,532,934 | 382,694 |
| **Other comprehensive income for the year, net of income tax** | | - | - |
| **Total comprehensive income for the year from continuing operations** | | 3,532,934 | 382,694 |
| **Discontinued operations** | | | |
| (Loss)/Profit before tax from discontinued operations | 29 | (98,482) | 1,112,104 |
| Income tax benefit/(expense) | 3,29 | 189,878 | (313,528) |
| Profit after tax from discontinued operations | | 91,396 | 798,576 |
| **Net profit for the year** | | **3,624,330** | **1,181,270** |
| Total profit for the year is attributable to: | | | |
| Non-controlling interests | | 18,279 | 57,942 |
| Owners of Resource Development Group Ltd | | 3,606,051 | 1,123,328 |
| | | **3,624,330** | **1,181,270** |
| Total comprehensive income for the year is attributable to: | | | |
| Non-controlling interests | 28 | 18,279 | 57,942 |
| Owners of Resource Development Group Ltd | | 3,606,051 | 1,123,328 |
| | | **3,624,330** | **1,181,270** |
| Earnings per share for the period attributable to the members of Resource Development Group Ltd | | | |
| Basic earnings per share (¢ per share) – continuing operations | 5 | 0.12 | 0.01 |
| Basic earnings per share (¢ per share) | 5 | 0.13 | 0.04 |
| Diluted earnings per share (¢ per share) – continuing operations | 5 | 0.12 | 0.01 |
| Diluted earnings per share (¢ per share) | 5 | 0.13 | 0.04 |

The accompanying notes form part of these financial statements

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## CONSOLIDATED STATEMENT OF FINANCIAL POSITION
## AS AT 30 JUNE 2022

| | | Consolidated | |
|---|---|---|---|
| | | 2022 | 2021 |
| **Assets** | Notes | $ | $ |
| **Current assets** | | | |
| Cash and cash equivalents | 6 | 15,369,705 | 23,897,426 |
| Trade and other receivables | 7 | 4,731,099 | 10,240,763 |
| Inventories | 8 | 938,701 | 885,561 |
| **Total current assets** | | 21,039,505 | 35,023,750 |
| **Non-current assets** | | | |
| Property, plant and equipment | 9 | 11,332,909 | 8,215,878 |
| Deferred exploration and evaluation expenditure | 10 | 27,768,244 | 49,924,827 |
| Development expenditure | 11 | 111,138,620 | 25,055,000 |
| Deferred tax assets | 3 | 2,502,288 | 1,752,457 |
| **Total non-current assets** | | 152,742,061 | 84,948,162 |
| **Total assets** | | 173,781,566 | 119,971,912 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 12 | 19,761,807 | 27,378,372 |
| Hire purchase liabilities | 13 | 1,849,395 | 1,022,761 |
| Borrowings | 14 | 9,789,861 | - |
| Current tax liabilities | 3 | 257,315 | 19,404 |
| Provisions | 15 | 1,635,965 | 1,272,061 |
| **Total current liabilities** | | 33,294,343 | 29,692,598 |
| **Non-current liabilities** | | | |
| Hire purchase liabilities | 13 | 1,852,818 | 1,990,719 |
| Trade and other payables | 12 | 600,000 | - |
| Borrowings | 14 | 42,422,729 | - |
| Provisions | 15 | 370,534 | 13,796 |
| Deferred tax liabilities | 3 | 5,394,282 | 2,582,269 |
| **Total non-current liabilities** | | 50,640,363 | 4,586,784 |
| **Total liabilities** | | 83,934,706 | 34,279,382 |
| **Net assets** | | **89,846,860** | **85,692,530** |
| **Equity** | | | |
| Contributed equity | 16 | 74,990,375 | 74,990,375 |
| Share-based payments reserve | 18 | 850,000 | 320,000 |
| Retained earnings | | 14,008,515 | 10,402,464 |
| Equity attributable to owners of the parent | | 89,848,890 | 85,712,839 |
| Non-controlling interests | 28 | (2,030) | (20,309) |
| **Total equity** | | **89,846,860** | **85,692,530** |

The accompanying notes form part of these financial statements

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
## FOR THE YEAR ENDED 30 JUNE 2022

| **Consolidated** | Contributed equity | Retained earnings | Share-based payments reserve | Attributable to the owners of the parent | Non-controlling interest | Total equity |
|---|---|---|---|---|---|---|
| **Balance as at 1 July 2020** | 57,240,375 | 9,279,136 | - | 66,519,511 | (78,251) | 66,441,260 |
| Profit for the year | - | 1,123,328 | - | 1,123,328 | 57,942 | 1,181,270 |
| Other comprehensive income | - | - | - | - | - | - |
| Total comprehensive income for the year | - | 1,123,328 | - | 1,123,328 | 57,942 | 1,181,270 |
| *Transactions with owners in their capacity as owners:* | | | | | | |
| Share-based payments | - | - | 320,000 | 320,000 | - | 320,000 |
| Issue of shares | 17,750,000 | - | - | 17,750,000 | - | 17,750,000 |
| **Balance at 30 June 2021** | 74,990,375 | 10,402,464 | 320,000 | 85,712,839 | (20,309) | 85,692,530 |
| **Balance as at 1 July 2021** | 74,990,375 | 10,402,464 | 320,000 | 85,712,839 | (20,309) | 85,692,530 |
| Profit for the year | - | 3,606,051 | - | 3,606,051 | 18,279 | 3,624,330 |
| Other comprehensive income | - | - | - | - | - | - |
| Total comprehensive income for the year | - | 3,606,051 | - | 3,606,051 | 18,279 | 3,624,330 |
| *Transactions with owners in their capacity as owners:* | | | | | | |
| Share-based payments | - | - | 530,000 | 530,000 | - | 530,000 |
| Issue of shares | - | - | - | - | - | - |
| **Balance at 30 June 2022** | 74,990,375 | 14,008,515 | 850,000 | 89,848,890 | (2,030) | 89,846,860 |

The accompanying notes form part of these financial statements



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## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2022

| | Notes | Consolidated 2022 $ | Consolidated 2021 $ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers | | 59,257,971 | 86,049,064 |
| Payments to suppliers and employees | | (57,145,308) | (66,512,726) |
| Interest received | | 50,221 | 187,264 |
| Finance costs paid | | (100,221) | (132,632) |
| Income tax receipts/(paid) | | 117,881 | 473,246 |
| Insurance proceeds received | | 90,031 | - |
| GST received/(paid) | | 2,750,754 | (3,421,624) |
| **Net cash inflow from operating activities** | 6(ii) | 5,021,329 | 16,642,592 |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | | (2,029,230) | (628,837) |
| Proceeds from sale of property, plant and equipment | | 326,059 | 5,703,000 |
| Payments for development expenditure | | (16,785,793) | (4,000,000) |
| Loan to external party repaid | | - | 1,500,000 |
| Payments for deferred exploration expenditure | | (914,621) | (277,827) |
| Transfer of funds held in trust | | - | (818,181) |
| **Net cash (outflow)/inflow from investing activities** | | (19,403,585) | 1,478,155 |
| **Cash flows from financing activities** | | | |
| Repayment of lease liability | 6(iii) | - | (56,484) |
| Loan from parent entity | | 7,059,101 | - |
| Repayment of hire purchase liabilities | 6(iii) | (1,204,566) | (4,874,451) |
| **Net cash inflow/(outflow) from financing activities** | | 5,854,535 | (4,930,935) |
| Net (decrease)/increase in cash held | | (8,527,721) | 13,189,812 |
| Cash and cash equivalents at the beginning of the period | | 23,897,426 | 10,707,614 |
| **Cash and cash equivalents at the end of the period** | 6(i) | 15,369,705 | 23,897,426 |

The accompanying notes form part of these financial statements



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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

## NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 1 (ad).

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

*Standards and Interpretations applicable to 30 June 2022*
In the year ended 30 June 2022, the Directors have reviewed all the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group and effective for the current annual reporting period.

The Directors have determined that there is no material impact of revised Standards on the Group and, therefore, no material change is necessary to Group accounting policies.

*New Accounting standards and interpretations not yet mandatory or early adopted*
Australian Accounting Standards and Interpretations that recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2022. The Group has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

### (b) Statement of compliance

The financial report was authorised for issue 31 August 2022.

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 2022 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.

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.

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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

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 deficit of $12,254,838 (2021: $5,331,152 surplus) and cash balances of $15,369,705 (2021: $23,897,426). The Company's parent entity, Mineral Resources Limited (MRL), has provided a $60m loan facility to complete the construction and development of the Company's Lucky Bay garnet project. The facility was drawn to $52.2m ($7.8m undrawn) as at year-end. Subsequent to year-end, a variation to the first repayment date of the loan was agreed to in principle by MRL and the Company, which will extend the first repayment date out to September 2023. A formal variation to the loan facility will be prepared and executed in due course. All other terms of the loan remain the same. Please refer to Note 14: Borrowings for further detail.

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 Board of Resource Development Group Limited.

### (f) Foreign currency translation

Both the functional and presentation currency of Resource Development Group Limited and its 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.

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.

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.

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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

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

*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.

Refer to Note 1 (o) for further consideration of revenue recognition.

*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.

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 Statement of Financial Position. 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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

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

*(ii) Interest income*

Interest revenue is recognised on a time proportionate basis that considers 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. 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.

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.



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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
# FOR THE YEAR ENDED 30 JUNE 2022

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

### (h) Income tax (continued)

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 subsidiaries, Central Systems Pty Ltd, Australian Garnet Pty Ltd and Comcen Pty Ltd have 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.

### (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



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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
# FOR THE YEAR ENDED 30 JUNE 2022

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

**(k) Impairment of assets (continued)**

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.

**(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.

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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

### (n) Inventories (continued)

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.

### (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 2022

## 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.

*(iii) Restoration and rehabilitation*

A provision for restoration and rehabilitation is recognised when there is a present obligation as a result of development activities undertaken, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the provision can be measured reliably. The estimated future obligations include the costs of abandoning sites, removing facilities and restoring the affected areas.

The provision for future restoration costs is the best estimate of the present value of the expenditure required to settle the restoration obligation at the balance date. Future restoration costs are reviewed annually and any changes in the estimate are reflected in the present value of the restoration provision at each balance date.

The initial estimate of the restoration and rehabilitation provision is expensed in the statement of comprehensive income, or capitalised if asset recognition criteria are met. Changes in the estimate of the provision for restoration and rehabilitation are treated in the same manner. The unwinding of the effect of discounting on the provision is recognised as a finance cost.

### (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.



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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

## 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

Finance 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.

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.

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.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

### 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.

**(y) Share-based payment transactions**

*Equity settled transactions:*

The Group provides benefits to employees (including directors and 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 Securities for Fees Plan, 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.

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
# FOR THE YEAR ENDED 30 JUNE 2022

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

### (z) 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).

### (aa) 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*

*Financial assets at amortised cost*

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.

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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

### (aa) Financial instruments (continued)

*Impairment of financial assets*

Impairment uses forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'.

Instruments include 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.

The Group considers a broad 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.

### (ab) 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:

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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

### (ab) Deferred Exploration Expenditure (continued)

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.

### (ac) 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.

### (ad) 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. Options are valued using a Black-Scholes model.

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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

### (ad) Critical accounting estimates and judgements (continued)

*Consideration of impairment of property, plant, and equipment*

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. If such an indication exists, an impairment test is carried out on the asset by comparing the asset's carrying value to its estimated recoverable value, being the higher of their value less costs to sell and value in use. Value in use is determined based on the estimated cashflows that will be received from the asset discounted to their present value. 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.

*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.

*Exploration and evaluation costs*

Exploration and evaluation costs have been capitalised on the basis that the consolidated entity will commence commercial production in the future, from which time the costs will be amortised in proportion to the depletion of the mineral resources. Key judgements are applied in considering costs to be capitalised which includes determining expenditures directly related to these activities and allocating overheads between those that are expensed and capitalised. In addition, costs are only capitalised that are expected to be recovered either through successful development or sale of the relevant mining interest. Factors that could impact the future commercial production at the mine include the level of reserves and resources, future technology changes, which could impact the cost of mining, future legal changes, and changes in commodity prices. To the extent that capitalised costs are determined not to be recoverable in the future, they will be written off in the period in which this determination is made.

*Restoration and rehabilitation provision*

The Group's mining and exploration activities are subject to various laws and regulations governing the protection of the environment. The Group recognises management's best estimate for asset retirement obligations in the period in which they are incurred. Actual costs incurred in the future periods could differ materially from the estimates. Additionally, future changes to environmental laws and regulations, life of mine estimates and discount rates could affect the carrying amount of this provision.

*Recoverable amount of exploration and evaluation expenditure reclassified to development expenditure*

Upon reclassification from exploration and evaluation expenditure, the recoverable amount has been estimated using the asset's value in use, using the present value of future cash flows based upon available reserves calculated by the Company's geologists in accordance with industry guidelines, using a discount rate of 8%. As a result of this assessment, no impairment was deemed necessary.

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
# FOR THE YEAR ENDED 30 JUNE 2022

## NOTE 2: REVENUE AND EXPENSES

| | Consolidated | |
|---|---|---|
| | 2022 | 2021 |
| | $ | $ |
| **(a) Revenue** | | |
| Rendering of services – over time | 50,744,224 | 67,123,044 |
| | 50,744,224 | 67,123,044 |

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.

| | 2022 | 2021 |
|---|---|---|
| **(b) Other income** | | |
| Interest income | 50,221 | 36,649 |
| Other | 39,896 | 1,046 |
| Insurance proceeds | 90,031 | - |
| | 180,148 | 37,695 |

| | 2022 | 2021 |
|---|---|---|
| **(c) Expenses** | | |
| Depreciation and amortisation of non-current assets – continuing operations | 1,462,169 | 1,170,076 |
| Depreciation and amortisation of non-current assets – discontinued operations (Note 29) | 33,445 | 416,897 |
| | 1,495,614 | 1,586,973 |
| | | |
| Short term rental expense | 281,824 | 404,157 |
| Share based payments expense | 530,000 | 320,000 |

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

## NOTE 3: INCOME TAX

| | Consolidated | |
|---|---|---|
| | 2022 | 2021 |
| | $ | $ |
| **Income tax recognised in profit or loss:** | | |
| The major components of tax expense are: | | |
| Current tax (benefit)/expense – continuing operations | - | - |
| Current tax (benefit)/expense – discontinued operations | - | 197,327 |
| Current tax | - | 197,327 |
| Deferred tax (income) relating to the origination and reversal of temporary differences – continuing operations | 1,505,445 | 523,661 |
| Deferred tax (income) relating to the origination and reversal of temporary differences – discontinued operations | - | 54,795 |
| Deferred tax | 1,505,445 | 578,457 |
| Deferred tax (income) adjustments relating to the origination and reversal of temporary differences in respect of prior years | 556,738 | 45,678 |
| Adjustments recognised in respect of prior years | (710,156) | (28,214) |
| Total tax expense | 1,352,026 | 793,248 |
| Tax expense/(benefit) from continuing operations | 1,541,904 | 479,720 |
| Tax expense/(benefit) from discontinued operations (Note 31) | (189,878) | 313,528 |

| | Consolidated | |
|---|---|---|
| | 2022 | 2021 |
| | $ | $ |
| 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 before income tax | 4,976,355 | 1,974,518 |
| Income tax benefit calculated at 30% (2021: 30%) | 1,492,906 | 592,355 |
| Add tax effect of: | | |
| Share based payments | 159,000 | 96,000 |
| Other net assessable income | 3,993 | (15,000) |
| Adjustments recognised in respect of prior years | (333,418) | (28,214) |
| Tax losses not recognised in prior periods and deducted during current period | 29,545 | 148,107 |
| Income tax expense/(benefit) reported in the statement of profit or loss and other comprehensive income | 1,352,026 | 793,248 |
| Tax expense/(benefit) from continuing operations | 1,541,904 | 479,720 |
| Tax expense/(benefit) from discontinued operations | (189,878) | 313,528 |

The tax rate used in the above reconciliation is the corporate tax rate of 30% (2021: 30%) payable by Australian corporate entities on taxable profits under Australian tax law.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

### NOTE 3: INCOME TAX (continued)

| | Consolidated | |
|---|---|---|
| | 2022 $ | 2021 $ |
| **Current tax liabilities comprise:** | | |
| Net income tax payable | 257,315 | 19,404 |
| | | |
| **Deferred tax assets comprise:** | | |
| Provisions – employee benefits | 528,401 | 330,666 |
| Accrued expenses | - | 45,713 |
| Doubtful debts provision | - | 64,471 |
| Tax losses | 1,787,160 | 1,302,772 |
| Blackhole expenditure and borrowing costs | 6,727 | 8,835 |
| Finance costs payable | 180,000 | - |
| | 2,502,288 | 1,752,457 |
| | | |
| **Deferred tax liabilities comprise:** | | |
| Prepayments | 83,793 | 27,005 |
| Stock on hand | 10,059 | 5,157 |
| Exploration expenditure | 3,648,100 | 1,242,619 |
| Depreciable property, plant and equipment | 1,652,330 | 1,307,488 |
| | 5,394,282 | 2,582,269 |
| Net | (2,891,994) | (829,812) |

The Group has capital losses of approximately $11,562,407 arising in Australia (2021: $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.

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

## NOTE 3: INCOME TAX (continued)

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

| | Consolidated | | | | |
|---|---|---|---|---|---|
| 2022 | Opening balance $ | Change in tax rate $ | Charged to income $ | Charged to equity $ | Closing balance $ |
| Temporary differences | 86,857 | - | 6,018 | - | 92,875 |
| Property, plant and equipment | (1,307,488) | - | (344,842) | - | (1,652,330) |
| Provisions | 330,666 | - | 197,735 | - | 528,402 |
| Exploration expenditure | (1,242,619) | - | (2,405,481) | - | (3,648,100) |
| Tax losses carried forward | 1,302,772 | - | 484,388 | - | 1,787,160 |
| | (829,812) | - | (2,062,182) | - | (2,891,994) |

| | Consolidated | | | | |
|---|---|---|---|---|---|
| 2021 | Opening balance $ | Change in tax rate $ | Charged to income $ | Charged to equity $ | Closing balance $ |
| Temporary differences | 210,701 | - | (123,844) | - | 86,857 |
| Property, plant and equipment | (678,455) | - | (629,033) | - | (1,307,488) |
| Provisions | 216,399 | - | 114,267 | - | 330,666 |
| Exploration expenditure | - | - | (1,242,619) | - | (1,242,619) |
| Tax losses carried forward | - | - | 1,302,772 | - | 1,302,772 |
| | (251,355) | - | (578,457) | - | (829,812) |

**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. Australian Garnet Pty Ltd and Comcen Pty Ltd both also joined the tax consolidated group during FY21.

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 Resource 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 $4,326,827 as at 30 June 2022 (2021: $5,150,525) 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.



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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

## 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 2022 and 30 June 2021.

| 30 June 2022 | Construction $ | Discontinued Operations (Contracting) $ | Mining $ | Other $ | Corporate $ | Consolidated $ |
|---|---|---|---|---|---|---|
| Revenue and other income | 50,924,303 | 72,262 | 1 | - | 68 | 50,996,634 |
| Profit/(loss) before income tax | 9,109,425 | (98,482) | (989,894) | - | (3,044,693) | 4,976,356 |
| Income tax (expense)/benefit | - | 189,878 | - | - | (1,541,904) | (1,352,026) |
| Profit/(loss) after income tax | 9,109,425 | 91,396 | (989,894) | - | (4,586,597) | 3,624,330 |
| Interest revenue | 50,151 | 58 | 1 | - | 68 | 50,278 |
| Interest expense | 100,221 | 181 | - | - | - | 100,402 |
| Depreciation & amortisation | 1,327,151 | 33,446 | 135,018 | - | - | 1,495,615 |
| Segment assets | 12,047,615 | 939,273 | 142,885,803 | - | 17,908,875 | 173,781,566 |
| Segment liabilities | 18,697,921 | 722,110 | 58,152,914 | - | 6,361,761 | 83,934,706 |
| Acquisition of non-current assets | 1,076,307 | - | 67,629,365 | - | - | 68,705,672 |

| 30 June 2021 | Construction $ | Discontinued Operations (Contracting) $ | Mining $ | Other $ | Corporate $ | Consolidated $ |
|---|---|---|---|---|---|---|
| Revenue and other income | 67,124,090 | 2,644,797 | - | - | - | 69,768,887 |
| Profit/(loss) before income tax | 5,838,594 | 1,112,105 | (288,662) | (1,149,873) | (3,537,646) | 1,974,518 |
| Income tax (expense)/benefit | - | (313,528) | - | - | (479,720) | (793,248) |
| Profit/(loss) after income tax | 5,838,594 | 798,577 | (288,662) | (1,149,873) | (4,017,366) | 1,181,270 |
| Interest revenue | 36,649 | 979 | - | - | - | 37,628 |
| Interest expense | 53,688 | 105,154 | 56 | 75,198 | - | 234,096 |
| Depreciation & amortisation | 1,152,639 | 440,648 | 1,257 | - | 16,180 | 1,610,724 |
| Segment assets | 9,635,742 | 3,726,919 | 75,911,175 | - | 30,698,076 | 119,971,912 |
| Segment liabilities | 13,327,289 | 3,707,883 | 4,057,929 | - | 13,186,281 | 34,279,382 |
| Acquisition of non-current assets | - | - | 22,592,184 | - | 3,608,960 | 26,201,144 |

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

## NOTE 4: SEGMENT REPORTING (continued)

### Major Customers

The Group has three (2021: 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 95% (2021: 84%) of the Group's revenue for the period.

## NOTE 5: EARNINGS PER SHARE

| | Consolidated | |
|---|---|---|
| | 2022 | 2021 |
| | Cents per share | Cents per share |
| Basic and diluted profit per share | 0.13 | 0.04 |
| Basic and diluted profit per share – continuing operations | 0.12 | 0.01 |
| Profit after income tax attributable to owners of Resource Development Group Ltd used to calculate basic profit per share | 3,606,051 | 1,123,328 |
| Profit after income tax attributable to owners of Resource Development Group Ltd used to calculate basic and diluted profit per share – continuing operations | 3,532,934 | 382,694 |
| | Number | Number |
| Weighted average number of ordinary shares for the purpose of basic profit per share | 2,827,376,542 | 2,646,719,008 |
| Weighted average number of ordinary shares for the purpose of diluted profit per share | 2,828,043,473 | 2,677,951,884 |

## NOTE 6: CASH AND CASH EQUIVALENTS

| | Consolidated | |
|---|---|---|
| | 2022 | 2021 |
| | $ | $ |
| Cash at bank and on hand | 15,369,705 | 23,897,426 |

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:

| | 2022 | 2021 |
|---|---|---|
| | $ | $ |
| Cash and cash equivalents | 15,369,705 | 23,897,426 |

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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

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

| | Consolidated 2022 $ | Consolidated 2021 $ |
|---|---|---|
| Net profit for the year | 3,624,330 | 1,181,270 |
| Profit on sale or disposal of assets | (416,176) | (1,437,506) |
| Depreciation and amortisation | 1,495,615 | 1,663,069 |
| Equity settled share-based payment | 530,000 | 320,000 |
| *(Increase)/decrease in operating assets:* | | |
| Trade and other receivables | 5,509,664 | (2,690,391) |
| Inventories | (53,140) | (835,364) |
| Deferred tax | 2,062,182 | 578,456 |
| *Increase/(decrease) in operating liabilities:* | | |
| Trade and other payables | (8,329,699) | 17,298,530 |
| Provisions | 598,553 | 564,528 |
| Net cash provided by operating activities | 5,021,329 | 16,642,592 |

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

| <u>30 June 2022</u> | Borrowings $ | Hire Purchase $ | Total $ |
|---|---|---|---|
| Opening balance | - | 3,013,480 | 3,013,480 |
| Acquisition of plant and equipment by means of hire purchase | - | 1,893,299 | 1,893,299 |
| Parent company development expenditure | 45,153,489 | - | 45,153,489 |
| Financing cashflows | 7,059,101 | (1,204,566) | 5,854,535 |
| | 52,212,590 | 3,702,213 | 55,914,803 |

| <u>30 June 2021</u> | Lease Liability $ | Hire purchase $ | Total $ |
|---|---|---|---|
| Opening balance | 56,484 | 4,649,705 | 4,706,189 |
| Acquisition of plant and equipment by means of hire purchase | - | 3,238,226 | 3,238,226 |
| Financing cashflows | (56,484) | (4,874,451) | (4,930,935) |
| | - | 3,013,480 | 3,013,480 |

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
# FOR THE YEAR ENDED 30 JUNE 2022

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

**(iv) Non-cash investing and financing activities**

| | Consolidated | |
|---|---|---|
| | 2022 | 2021 |
| | $ | $ |
| Property, plant and equipment – hire purchases | 1,893,299 | 3,238,226 |
| Exploration and development | 45,153,489 | 17,750,000 |
| | 47,076,788 | 20,988,226 |

### NOTE 7: CURRENT TRADE AND OTHER RECEIVABLES

| | Consolidated | |
|---|---|---|
| | 2022 | 2021 |
| | $ | $ |
| Trade receivables | 2,681,615 | 8,767,372 |
| Allowance for expected credit losses | - | - |
| | 2,681,615 | 8,767,372 |
| | | |
| Other receivables | 237,289 | 169,819 |
| Accrued income | - | 6,146 |
| Prepayments | 994,014 | 479,245 |
| Funds held in trust[1] | 818,181 | 818,181 |
| | 4,731,099 | 10,240,763 |

[1] As a result of the successful conclusion of a legal settlement between a former customer and MSA subsidiary, Aggregate Crushing Australia Pty Ltd, the Company currently holds these funds in trust, which will be used to satisfy income tax and GST liabilities associated with that settlement. Pursuant to the original Share Sale Agreement with the vendors of MSA in 2018, the net proceeds of the legal settlement were an excluded asset at the time of acquisition and will subsequently be distributed to the MSA vendors by way of dividend.

(i) The average credit period on sales of goods and rendering of services is 39 days (2021: 27 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 23.

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.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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

| | Consolidated | |
|---|---|---|
| | 2022 | 2021 |
| Ageing of past due but not impaired | $ | $ |
| 30 – 60 days | - | - |
| 60 – 90 days | - | - |
| 90+ days[1] | 40,000 | - |
| Total | 40,000 | - |

[1] This amount was fully paid subsequent to year-end

### NOTE 8: INVENTORIES

| | Consolidated | |
|---|---|---|
| | 2022 | 2021 |
| | $ | $ |
| At cost: | | |
| Raw materials and stores | 33,530 | 17,191 |
| Work in progress (i) | 905,171 | 868,370 |
| | 938,701 | 885,561 |

| (i) Work in progress | Consolidated | |
|---|---|---|
| | 2022 | 2021 |
| | $ | $ |
| Contract costs incurred | 88,159,669 | 79,418,665 |
| Recognised profits | 12,428,519 | 9,590,628 |
| | 100,588,188 | 89,009,293 |
| Progress billings | (110,125,768) | (101,468,212) |
| Work in progress | (9,537,580) | (12,458,919) |
| Income in advance (Note 12) | 10,442,751 | 13,327,289 |
| | 905,171 | 868,370 |

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

## NOTE 9: PROPERTY, PLANT AND EQUIPMENT

| | Consolidated | | | | |
|---|---|---|---|---|---|
| | Motor vehicles | Property, plant and equipment | Land and buildings | Leasehold Improvements | Total |
| | $ | $ | $ | $ | $ |
| Year ended 30 June 2022 | | | | | |
| At 1 July 2021, net of accumulated depreciation and impairment | 1,094,188 | 7,121,342 | - | 348 | 8,215,878 |
| Additions | 498,699 | 1,954,139 | 2,925,797 | - | 5,378,635 |
| Disposals | (16,927) | (749,663) | - | - | (765,990) |
| Depreciation charge for the year | (221,844) | (1,238,204) | (43,427) | (140) | (1,495,614) |
| At 30 June 2022, net of accumulated depreciation and impairment | 1,354,116 | 7,096,214 | 2,882,370 | 208 | 11,332,909 |
| | | | | | |
| At 30 June 2022 | | | | | |
| Cost or fair value | | | | | 30,366,414 |
| Accumulated depreciation and impairment | | | | | (19,033,505) |
| Net carrying amount | | | | | 11,332,909 |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

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

| | Consolidated | | | |
|---|---|---|---|---|
| | Motor vehicles | Property,plant and equipment | Leasehold Improvements | Total |
| | $ | $ | $ | $ |
| Year ended 30 June 2021 | | | | |
| At 1 July 2020, net of accumulated depreciation and impairment | 758,210 | 9,466,143 | 580 | 10,224,933 |
| Additions | 581,524 | 3,869,620 | - | 4,451,144 |
| Disposals | (29,976) | (4,843,250) | - | (4,873,226) |
| Depreciation charge for the year | (215,570) | (1,371,171) | (232) | (1,586,973) |
| At 30 June 2021, net of accumulated depreciation and impairment | 1,094,188 | 7,121,342 | 348 | 8,215,878 |
| | | | | |
| At 30 June 2021 | | | | |
| Cost or fair value | | | | 28,473,624 |
| Accumulated depreciation and impairment | | | | (20,257,746) |
| Net carrying amount | | | | 8,215,878 |

| | 2022 | 2021 |
|---|---|---|
| | $ | $ |
| Depreciation and amortisation of non-current assets – continuing operations | 1,462,169 | 1,170,076 |
| Depreciation and amortisation of non-current assets – discontinued operations | 33,445 | 416,897 |
| | 1,495,614 | 1,586,973 |

The useful life of the assets was estimated as follows for both 2022 and 2021:

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

The written down value of assets under hire purchase contracts for 2022 is $3,610,100 (2021: $2,923,120).

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
# FOR THE YEAR ENDED 30 JUNE 2022

### NOTE 10: DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

| | Consolidated | |
|---|---|---|
| | 2022 | 2021 |
| | $ | $ |
| Exploration and evaluation costs | 27,768,244 | 49,924,827 |
| | | |
| *Reconciliation* | | |
| Opening balance | 49,924,827 | 24,282,000 |
| Acquisitions (Note 10) | - | 20,917,000 |
| Reclassification to Development Expenditure | (23,116,241) | - |
| Additions | 959,658 | 1,110,827 |
| Transaction costs accrual | - | 3,615,000 |
| Closing balance | 27,768,244 | 49,924,827 |

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.

During the year, the Group made the decision to progress the Lucky Bay Garnet Project to development. The associated Exploration expenditure of $23,116,241 has been reclassified to Development expenditure. The exploration expenditure was tested for impairment on reclassification using a value-in-use calculation based on a discounted cashflow projection discounted at 8% based on forecast cashflows of the project. No impairment was required.

### NOTE 11: DEVELOPMENT EXPENDITURE

| | Consolidated | |
|---|---|---|
| | 2022 | 2021 |
| | $ | $ |
| Cost | 111,138,620 | 25,055,000 |
| Accumulated amortisation | - | - |
| | 111,138,620 | 25,055,000 |
| | | |
| Reconciliation | | |
| Opening balance | 25,055,000 | 25,055,000 |
| Reclassification from Exploration Expenditure | 23,116,241 | - |
| Additions | 62,867,374 | - |
| Closing balance | 111,138,620 | 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 will be 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.

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
# FOR THE YEAR ENDED 30 JUNE 2022

## NOTE 12: TRADE AND OTHER PAYABLES

| | Consolidated | |
|---|---|---|
| | 2022 | 2021 |
| Current | $ | $ |
| Trade payables | 3,377,752 | 8,136,419 |
| Other payables | 2,326,304 | 2,299,664 |
| Transaction costs accrual | 3,615,000 | 3,615,000 |
| Income received in advance (Note 8) | 10,442,751 | 13,327,289 |
| | 19,761,807 | 27,378,372 |
| Non-Current | | |
| Deferred land acquisition payments[1] | 600,000 | - |
| | 600,000 | - |

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

[1] The Group has the following payments to make under a sale of land agreement:

- Payment 1 $200,000 on 1 July 2023
- Payment 2 $200,000 on 1 July 2024
- Payment 3 $200,000 on 1 July 2025

## NOTE 13: HIRE PURCHASE LIABILITIES

| | Consolidated | |
|---|---|---|
| | 30 June 2022 | 30 June 2021 |
| **Current** | $ | $ |
| Hire purchase liabilities | 1,849,395 | 1,022,761 |
| **Non-current** | | |
| Hire purchase liabilities | 1,852,818 | 1,990,719 |
| Total hire purchase liabilities | 3,702,213 | 3,013,480 |
| **Secured** | | |
| Hire purchase liabilities | 3,702,213 | 3,013,480 |

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

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
# FOR THE YEAR ENDED 30 JUNE 2022

## NOTE 14: BORROWINGS

| | Consolidated | |
|---|---|---|
| | 30 June 2022 | 30 June 2021 |
| **Current** | $ | $ |
| Loan – parent entity | 9,789,861 | - |
| | | |
| **Non-current** | | |
| Loan – parent entity | 42,422,729 | - |
| | | |
| **Total borrowings** | **52,212,590** | **-** |
| | | |
| **Secured** | | |
| Loan – parent entity | 52,212,590 | - |
| **Total secured borrowings** | **52,212,590** | **-** |

<u>Bank facility</u>
Following a review of the Company's banking facilities, the ANZ Bank provided a restated Letter of Offer to the Company dated 22 February 2021, which included the following continuing facilities that the Company has agreed to:

- Standby Letter of Credit or Guarantee Facility of $2,500,000 (at 30 June 2022, amount used: $Nil; amount unused $2,500,000); and
- Commercial card facility limits at 30 June 2022: $200,000 (ANZ Corporate Card).

The bank facilities are secured by way of a cash term deposit for any facilities that are used.

<u>Other</u>
The Group entered into a secured loan of $35 million with Mineral Resources Limited (MRL) on 17 June 2020. The loan had 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.

On 17 June 2021, the Company executed a variation to the secured loan described above. In this variation, MRL agreed to extend the advance to $60 million and allocate the funds to the development of the Company's Lucky Bay Garnet project. All other terms of the loan agreement remain static. At 30 June 2022, an amount of $52,212,590 was drawn, which includes accrued interest of $1,404,898. No amounts were drawn at 30 June 2021.

The loan becomes repayable in equal quarterly instalments on the last day of the first full quarter after the first shipment from the project and is to be repaid in full five years from the first drawdown date.

Subsequent to balance date, MRL and the Company agreed in principle to vary the first repayment date of the abovementioned loan from the first full quarter after the first shipment of product from the Lucky Bay mine to the fourth full quarter after first shipment. The first repayment date is therefore now expected to be at the end of the September 2023. The Company has still classified $9.8m as current borrowings, given the variation was agreed after balance date. A formal variation to the loan agreement will be prepared and executed in due course.

<u>Performance bond facility</u>
The Company has the following arrangements in place:

- Performance bond facility with Tokio Marine & Nichido Fire Insurance Co. Ltd of $16,000,000 (at 30 June 2022 amount used $7,202,982 (30 June 2021: $14,547,947); amount unused $8,797,018 (30 June 2021: $1,452,053).

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

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 JUNE 2022

### NOTE 15: PROVISIONS

| **2022** | Restoration and rehabilitation | Employee benefits | Total |
|---|---|---|---|
| **Consolidated** | $ | $ | $ |
| Current | - | 1,635,965 | 1,635,965 |
| Non-current | 360,000 | 10,534 | 370,534 |
| | 360,000 | 1,646,499 | 2,006,499 |

| **2021** | Restoration and rehabilitation | Employee benefits | Total |
|---|---|---|---|
| **Consolidated** | $ | $ | $ |
| Current | - | 1,272,061 | 1,272,061 |
| Non-current | - | 13,796 | 13,796 |
| | - | 1,285,857 | 1,285,857 |

| **Employee entitlements** | 2022 | 2021 |
|---|---|---|
| | $ | $ |
| At 1 July | 1,285,857 | 721,329 |
| Net movements | 360,642 | 564,528 |
| At 30 June | 2,606,499 | 1,285,857 |

| **Restoration and rehabilitation** | 2022 | 2021 |
|---|---|---|
| | $ | $ |
| At 1 July | - | - |
| Net movements | 360,000 | - |
| At 30 June | 360,000 | - |

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

### NOTE 16: CONTRIBUTED EQUITY

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | Number of shares | $ | Number of shares | $ |
| (a) Paid up capital: | 2,885,116,268 | 74,990,375 | 2,885,116,268 | 74,990,375 |

(b) Movements in ordinary share capital:

| | Year to 30 June 2022 | | Year to 30 June 2021 | |
|---|---|---|---|---|
| | Number of shares | $ | Number of shares | $ |
| Balance at beginning of financial period | 2,810,116,268 | 71,240,375 | 2,530,116,268 | 57,240,375 |
| Issue of shares in relation to acquisition of assets | 75,000,000 | 3,750,000 | 280,000,000 | 14,000,000 |
| Issue of shares to employees on vesting of incentives | - | - | - | - |
| Balance at end of financial period | 2,885,116,268 | 74,990,375 | 2,810,116,268 | 71,240,375 |
| Shares still to be issued in relation to acquisition of assets[1] | - | - | 75,000,000 | 3,750,000 |
| | 2,885,116,268 | 74,990,375 | 2,885,116,268 | 74,990,375 |

[1] 75,000,000 RDG shares were issued to the vendors of the Balline Garnet project following FIRB approval of the transaction, which was granted on 23 April 2021. Pursuant to the agreement, the shares were issued 12 months from the date of FIRB approval.

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.

A poll is conducted at every meeting, where each shareholder is entitled to one vote. Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

### NOTE 17: OPTIONS

| | 30 June 2022 | | 30 June 2021 | |
|---|---|---|---|---|
| | Number of options | $ | Number of options | $ |
| Director options | 20,525,428 | 723,810 | 8,311,688 | 320,000 |
| KMP options | 3,816,893 | 126,190 | - | - |
| | 24,342,321 | 850,000 | 8,311,688 | 320,000 |
| *Movement in options:* | | | | |
| Balance at beginning of period | 8,311,688 | 320,000 | - | - |
| Issue of options to Directors and KMP | 16,030,633 | 530,000 | 8,311,688 | 320,000 |
| Balance at end of period | 24,342,321 | 850,000 | 8,311,688 | 320,000 |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 JUNE 2022

### NOTE 18: SHARE BASED PAYMENTS AND RESERVE

| | Consolidated | |
|---|---|---|
| | Share based payments reserve | Total |
| | $ | $ |
| **At 1 July 2021** | 320,000 | 320,000 |
| Share based payments | 530,000 | 530,000 |
| **At 30 June 2022** | 850,000 | 850,000 |
| | | |
| **At 1 July 2020** | - | - |
| Share based payments | 320,000 | 320,000 |
| **At 30 June 2021** | 320,000 | 320,000 |

16,030,533 options were issued to the directors and two senior executives as remuneration during the year ended 30 June 2022. The options are exercisable at $0.049 per option and expire on 13 June 2025. The options were valued at $530,000 using a Black-Scholes model using the following assumptions:

| | |
|---|---|
| Spot price on grant | $0.06 |
| Exercise price | $0.049 |
| Expiry date (length of time from issue) | 3 years from date of issue |
| Risk fee interest rate | 0.26% |
| Volatility | 77% |

| **Options** | 2022 | | 2021 | |
|---|---|---|---|---|
| | Average exercise price per share option $ | Number of options | Average exercise price per share option $ | Number of options |
| At 1 July | 0.070 | 8,311,688 | 0.070 | - |
| Granted during the year | 0.049 | 16,030,633 | 0.070 | 8,311,688 |
| At 30 June | 0.056 | 24,342,321 | 0.070 | 8,311,688 |

The average life of the options is 2.47 years (2021: 2.54 years).

**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.



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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

## 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 2021.

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 | |
|---|---|---|
| | 2022 | 2021 |
| | $ | $ |
| **(b) Categories of financial instruments** | | |
| **Financial assets** | | |
| Cash and cash equivalents | 15,369,705 | 23,897,426 |
| Trade and other receivables | 4,731,099 | 10,240,763 |
| **Financial liabilities** | | |
| Trade payables | 20,361,808 | 27,378,372 |
| Hire purchase liabilities | 3,702,213 | 3,013,480 |
| Borrowings | 52,212,590 | - |

### (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, loans from the ultimate parent entity, 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 2022, therefore interest rate sensitivity analysis is not required to be undertaken for the purpose of this report.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

### (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 2022 | Within 6 months | 6 – 12 months | 1 – 5 years | 5+ years |
| | $ | $ | $ | $ |
| Trade and other payables | 19,761,807 | - | 600,000 | - |
| Hire purchase obligations | 924,698 | 924,697 | 1,852,818 | - |
| Loan – parent entity | - | 9,789,861 | 42,422,729 | - |
| | 20,686,505 | 10,714,558 | 44,875,547 | - |

| | Consolidated | | | |
|---|---|---|---|---|
| | Current | | Non-Current | |
| 30 June 2021 | Within 6 months | 6 – 12 months | 1 – 5 years | 5+ years |
| | $ | $ | $ | $ |
| Trade and other payables | 27,378,372 | - | - | - |
| Hire purchase obligations | 511,380 | 511,381 | 1,990,719 | - |
| | 27,889,752 | 511,381 | 1,990,719 | - |

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

## NOTE 20: COMMITMENTS AND CONTINGENCIES

**Hire Purchase commitments**

| | Consolidated | |
|---|---|---|
| | 2022 | 2021 |
| | $ | $ |
| Within one year | 1,988,978 | 1,110,404 |
| After one year but not more than five years | 1,919,777 | 2,072,953 |
| Greater than 5 years | - | - |
| Minimum payments | 3,908,755 | 3,183,357 |
| | | |
| Less future finance charges | | |
| Within one year | 139,583 | 87,643 |
| After one year but not more than five years | 66,959 | 82,234 |
| Greater than 5 years | - | - |
| Total future finance charges | 206,542 | 169,877 |
| | | |
| Present value of minimum payments | 3,702,213 | 3,013,480 |

**Capital commitments**
No capital expenditure commitments have been made for items of plant and machinery as at 30 June 2022 (2021: $Nil).

**Contingent liabilities**
The Group has no material contingent liabilities and assets as at 30 June 2022 (2021: $Nil).

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

## 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 ($) | |
|---|---|---|---|---|---|
| | | 2022 | 2021 | 2022 | 2021 |
| Central Systems Pty Ltd | Australia | 100 | 100 | 1,800,100 | 1,800,100 |
| RDG Technologies Pty Ltd | Australia | 100 | - | 1 | - |
| Mineral Solutions Australia Pty Ltd | Australia | 80 | 80 | 420 | 420 |
| Comcen Pty Ltd | Australia | 100 | 100 | 1 | 1 |
| Australian Garnet 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 |

### (a) 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, as well as at cost depending on the circumstances. 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.

*Transactions with parent entity (Mineral Resources Limited (MRL))*

The Group had the following transactions with MRL during the year ended 30 June 2022 (2021: Nil):

- The Group invoiced project work to MRL in the sum of $10,197,364
- MRL invoiced services and equipment in relation to the Group's Lucky Bay Garnet Project in the sum of $43,748,590
- The Company occupies office space at a building located at 14 Walters Drive, Osborne Park. The building is leased by Mineral Resources Limited, and the Company currently has no formal lease agreement in place.

*Director options*

12,213,740 options were issued to the directors (3,053,435 to each director) as remuneration. The options are exercisable at $0.049 per option and expire on 13 June 2025. Refer to Notes 19 and 20 for full details.

### (b) Lease agreements

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

*Slipstream Property Partnership*
Allmont Pty Ltd as trustee for the Allmont Trust (Andrew Ellison); and
Matthew Reid Project Management Pty Ltd (Gary Reid).
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 was on a rolling month-by-month arrangement since that date, however was terminated on 31 July 2021.
Rental payments made for the year 1 July 2021 to 30 June 2022 were $11,400 (2021: $136,800). At balance date, $Nil (2021: $Nil) was payable to the Slipstream Property Trust.

*Grisam Investments Pty Ltd as trustee for the Grisam Property Trust*
Allmont Pty Ltd as trustee for the Allmont Trust (Andrew Ellison); and
Gary Reid as trustee for the Gary Reid 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 2021 to 30 June 2022 were $210,000 (2021: $210,000). At balance date, $Nil (2021: $Nil) was payable to Grisam Investments Pty Ltd.

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

## NOTE 21: RELATED PARTY DISCLOSURE (continued)

### (c) Asset acquisition - agreements

As part of the asset acquisition from Mineral Resources Limited (MRL), the Company had 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.

    **(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.

On 17 June 2021, the Company executed a variation to the Loan Agreement described in (d) 2) above. In this variation, MRL agreed to extend the advance to $60 million and allocate the funds to the development of the Company's Lucky Bay Garnet project. All other terms of the loan agreement remain static. At 30 June 2022, an amount of $52,212,590 was drawn, which includes accrued interest of $1,404,898. No amounts were drawn at 30 June 2021.

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

## NOTE 22: PARENT ENTITY DISCLOSURES

| Financial Position | 2022<br>$ | 2021<br>$ |
|---|---|---|
| **Assets** | | |
| Current assets | 51,304 | 401,397 |
| Non-current assets | 119,709,075 | 74,202,001 |
| Total assets | 119,760,379 | 74,603,398 |
| | | |
| **Liabilities** | | |
| Current liabilities | 10,653,294 | 8,556,587 |
| Non-current liabilities | 45,055,863 | - |
| Total liabilities | 55,709,157 | 8,556,587 |
| | | |
| **Equity** | | |
| Issued capital | 75,040,772 | 75,040,772 |
| Reserves | 850,000 | 320,000 |
| Accumulated losses | (11,839,550) | (9,313,961) |
| Total equity | 64,051,222 | 66,046,811 |

***Financial performance***

| | Year ended 30 June 2022<br>$ | Year ended 30 June 2021<br>$ |
|---|---|---|
| Loss for the year | (2,525,589) | (965,603) |
| Other comprehensive income | - | - |
| Total comprehensive loss | (2,525,589) | (965,603) |

***Commitments***

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

## NOTE 23: COVID-19

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has not had a financially material impact on the Group up to 30 June 2022, it is not practicable to estimate the potential impact, positive or negative, after the reporting date.

## NOTE 24: EVENTS AFTER THE REPORTING PERIOD

On 30 August 2022, the Company announced that it had executed a Share Sale Agreement with the shareholders of Peloton Resources Pty Ltd, to acquire all of the issued capital in that company, subject to the satisfaction of certain outcomes over a 12-month period. The consideration includes a $1 million cash payment and the issue of $3 million of the Company’s ordinary shares. Furthermore, a deferred element of an additional $3m of the Company’s ordinary shares will be issued upon the execution of a supply agreement for red mud within a specific timeframe.

There were no other matters or circumstances that has arisen since 30 June 2022 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.

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

## NOTE 25: AUDITOR'S REMUNERATION

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

| | Consolidated | |
|---|---|---|
| | 2022 | 2021 |
| 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 | 99,342 | 95,750 |

## 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 | |
|---|---|---|
| | 2022 | 2021 |
| | $ | $ |
| Short-term employee benefits | 1,051,253 | 898,541 |
| Post-employment benefits | 25,232 | 19,307 |
| Share-based payments | 530,000 | 320,000 |
| | 1,606,485 | 1,237,848 |

## NOTE 27: DIVIDENDS

There were no dividends declared or paid during the year ended 30 June 2022 (30 June 2021: $Nil).

| | Consolidated | |
|---|---|---|
| | 2022 | 2021 |
| *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% (2021: 30%) | 4,326,827 | 4,354,920 |
| Franking credits) that will arise from the payment of income tax payable as at the end of the financial year | - | 795,605 |
| | 4,326,827 | 5,150,525 |

The tax rate at which any dividends would have been franked is 30% (2021: 30%).

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
# FOR THE YEAR ENDED 30 JUNE 2022

## NOTE 28: 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 2022<br>$ | 30 June 2021<br>$ |
|---|---|---|
| **Assets** | | |
| Current assets | 945,259 | 970,067 |
| Non-current assets | 449 | 222,267 |
| Total assets | 945,708 | 1,192,334 |
| | | |
| **Liabilities** | | |
| Current liabilities | 837,214 | 1,157,594 |
| Non-current liabilities | - | 15,704 |
| Total liabilities | 837,214 | 1,173,298 |

| **Equity** | 30 June 2022<br>$ | 30 June 2021<br>$ |
|---|---|---|
| Issued capital | 420 | 420 |
| Reserves | 285,975 | 285,975 |
| Accumulated losses | (177,901) | (267,359) |
| Total equity | 108,494 | 19,036 |

*Non-controlling interest movement schedule*

| | | |
|---|---|---|
| Opening balance | (20,309) | (78,251) |
| Non-controlling interest share of profit/(loss) | 18,279 | 57,942 |
| | (2,030) | (20,309) |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

## NOTE 29: DISCONTINUED OPERATIONS

The crushing and screening business within the Mineral Solutions Australia Pty Ltd group (MSA group), was effectively discontinued during 2021 as a result of the inability to make an operating profit.

The directors are continuing to wind down the MSA group and will collect all remaining receivables, pay any outstanding liabilities, and finalise any outstanding obligations.

The financial performance of the MSA group for the period ended 30 June 2022 and 30 June 2021 is as follows:

| | 30 June 2022<br>$ | 30 June 2021<br>$ |
|---|---|---|
| Revenue | 72,262 | 2,594,797 |
| Profit on sale of assets | 140,812 | 1,361,717 |
| Depreciation expense (Note 9) | (33,445) | (416,897) |
| Other expenses | (278,111) | (2,427,513) |
| (Loss)/Profit before tax | (98,482) | 1,112,104 |
| Income tax benefit/(expense) | 189,878 | (313,528) |
| Profit from discontinued operations | 91,396 | 798,576 |

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**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 2022 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 2022.

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
Managing Director

Dated this 31 August 2022

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HLB MANN JUDD
ADVISORY AND ACCOUNTING

**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 2022, the consolidated statement of profit or loss and other 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 2022 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.

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

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ADVISORY AND ACCOUNTING

| Key Audit Matter | How our audit addressed the key audit matter |
|---|---|
| **Revenue recognition on long term contracts and accounting for work in progress**<br>Refer to Note 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 have reviewed contract margins that were materially different from 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. |

| Key Audit Matter | How our audit addressed the key audit matter |
|---|---|
| **Development Expenditure**<br>Refer to Note 11 of the financial report | |
| The Group has a development expenditure asset of $111,138,620 in relation to Lucky Bay Garnet projects and Ant Hill and Sunday Hill manganese project.<br><br>During the year, the Group made the decision to progress the Lucky Bay Garnet Project to development. The associated Exploration expenditure of $23,116,241 was reclassified to development expenditure. The exploration expenditure was tested for impairment on reclassification using a value-in-use calculation based on a discounted cashflow projection discounted at 8% based on forecast cashflows of the project. No impairment was required to be booked.<br><br>The Group capitalised an additional $62,867,374 of expenditure to the Lucky Bay Garnet Project development expenditure asset.<br><br>We focused on this area as a key audit matter due to this balance being the most material in the financial statements and of most interest to users of the financial statements. | Our procedures included but were not limited to the following:<br>• We tested a sample of additions ensuring the additions met the recognition criteria to capitalise;<br>• We considered if there were indicator of impairment present on the Ant Hill and Sunday Hill manganese project;<br>• We critically evaluated management's methodology in the Lucky Bay Garnet Project value-in-use model and the basis for key assumptions;<br>• We reviewed the mathematical accuracy of the Lucky Bay Garnet Project value-in-use model;<br>• We performed sensitivity analysis around the key inputs used in the model;<br>• We considered the appropriateness of the discount rate used;<br>• We compared Lucky Bay Garnet Project's recoverable value to the carrying amount of the Lucky Bay Garnet Project development expenditure asset; and<br>• We assessed the adequacy of the disclosures included in the relevant notes to 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 2022 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.



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*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.

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HLB MANN JUDD
ADVISORY AND ACCOUNTING

**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 2022.

In our opinion, the Remuneration Report of Resource Development Group Limited for the year ended 30 June 2022 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** | **N G Neill** |
| **Chartered Accountants** | **Partner** |

**Perth, Western Australia**
**31 August 2022**

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## 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 30 August 2022.

### 1. Shareholdings

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

| Name of shareholder | Shares held | % held |
|---|---|---|
| MINERAL RESOURCES LIMITED | 1,897,587,201 | 65.77 |
| GARNET INTERNATIONAL GROUP PTY LTD | 168,806,974 | 5.85 |
| | 2,066,394,175 | 71.62 |

**Distribution of equity – Listed securities:**

| Size of holding | Number of Shareholders |
|---|---|
| 1 – 1,000 | 21 |
| 1,001 – 5,000 | 15 |
| 5,001 – 10,000 | 103 |
| 10,001 – 100,000 | 514 |
| 100,001 – and over | 374 |
| Total | 1,027 |

At the date of this report there were 58 shareholders, with a total of 188,395 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.

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**Additional Information for Listed Public Companies (continued)**
**Updated as at 30 August 2022**

| Position | Holder name | Holding | % IC |
|---|---|---|---|
| 1 | MINERAL RESOURCES LIMITED | 1,897,587,201 | 65.77% |
| 2 | GARNET INTERNATIONAL GROUP LTD | 168,806,974 | 5.85% |
| 3 | SEAFIRE HOLDINGS PTY LTD<br><SEAFIRE A/C> | 138,983,058 | 4.82% |
| 4 | MATHEW REID PROJECT MANAGEMENT PTY LTD<br><THE GM REID FAMILY A/C> | 105,649,724 | 3.66% |
| 5 | MR RICHARD JAMES EDEN<br><EDEN FAMILY A/C> | 54,818,200 | 1.90% |
| 6 | AMPHORA PTY LTD<br><THE PURPLE A/C> | 38,233,056 | 1.33% |
| 7 | GM REID INVESTMENTS PTY LTD<br><GARY REID FAMILY A/C> | 33,333,334 | 1.16% |
| 8 | MR STEPHEN KROLL<br><THE KROLL FAMILY TRUST> | 26,412,431 | 0.92% |
| 9 | REVER HOLDINGS PTE LTD | 25,866,980 | 0.90% |
| 10 | MS CORRINE RACHEL PANZICH<br><C & D PANZICH FAMILY A/C> | 13,653,303 | 0.47% |
| 10 | MR MICHAEL JOHN BEGLEY<br><THE QUARTZ A/C> | 13,653,303 | 0.47% |
| 11 | CORUMBA CAPITAL PTY LTD | 13,253,302 | 0.46% |
| 12 | OMEGA RED PTY LTD<br><SOURBUTTS SUPER FUND A/C> | 12,028,302 | 0.42% |
| 13 | SKBZ INVESTMENTS PTY LTD | 11,556,135 | 0.40% |
| 14 | MORRELL ENTERPRISES PTY LTD<br><DAVID MORRELL FAMILY A/C> | 11,518,415 | 0.40% |
| 15 | ELLISON (WA) PTY LIMITED | 10,000,000 | 0.35% |
| 16 | MR JARROD DEAN MARSHALL &<br>MRS JOANNE MARGARET MARSHALL<br><THE MARSHALL INVESTMENT A/C> | 8,779,206 | 0.30% |
| 17 | BNP PARIBAS NOMS PTY LTD<br><DRP> | 8,661,340 | 0.30% |
| 18 | STEPHEN BEVIS SMITH | 8,605,340 | 0.30% |
| 19 | MR HUGH JONATHAN GREEN | 8,120,000 | 0.28% |
| 20 | MR TROY MICHAEL VENTRISS<br><THE VENTRISS FAMILY A/C> | 7,723,094 | 0.27% |
| | **Total** | **2,617,242,698** | **90.72%** |
| | **Total issued capital** | **2,885,116,268** | **100.00%** |